AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 21, 1996

REGISTRATION NO. 333-4018

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3

TO

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

HERITAGE PROPANE PARTNERS, L.P.
(Exact name of registrant as specified in its charter)

DELAWARE	5984	73-1493906
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

8801 SOUTH YALE AVENUE, SUITE 310
TULSA, OKLAHOMA 74137
TELEPHONE: (918) 492-7272

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

H. MICHAEL KRIMBILL
VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
HERITAGE HOLDINGS, INC.
8801 SOUTH YALE AVENUE, SUITE 310
TULSA, OKLAHOMA 74137
TELEPHONE: (918) 492-7272
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

ANDREWS & KURTH L.L.P.	DOERNER, SAUNDERS, DANIEL & ANDERSON	BAKER & BOTTS, L.L.P.
425 LEXINGTON AVENUE	320 SOUTH BOSTON AVENUE	ONE SHELL PLAZA
10TH FLOOR	SUITE 500	910 LOUISIANA
NEW YORK, NEW YORK 10017	TULSA, OKLAHOMA 74103	HOUSTON, TEXAS 77002
(212) 850-2800	(918) 582-1211	(713) 229-1234
ATTENTION: MICHAEL Q. ROSENWASSER	ATTENTION: LAWRENCE T. CHAMBERS, JR.	ATTENTION: JOSHUA DAVIDSON

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. / /

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

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act

registration statement number of the earlier effective registration statement for the same offering. / /

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

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The expenses to be paid by the registrant in connection with this offering other than underwriting discounts and commissions, if any, are estimated as follows:

Securities and Exchange Commission registration fee	$ 33,977
NASD filing fee	10,354
Printing and engraving expenses	250,000
Legal fees and expenses	800,000
Accounting fees and expenses	375,000
Transfer agent and registrar fees	15,000
Blue Sky fees and expenses	15,000
Miscellaneous fees and expenses	400,669
Total	$1,900,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The section of the Prospectus entitled "The Partnership Agreement -- Indemnification" is incorporated herein by reference.

Reference is made to Section 6 of the Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement.

Subject to the terms, conditions or restrictions set forth in the Partnership Agreement, the Delaware Act empowers Delaware limited partnerships to indemnify and hold harmless any partner or other person from and against claims and demands incurred in its capacity as a partner or other representative of Partnership.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Prior to the closing of this offering, there has been no sale of securities of the Partnership.

ITEM 16. LIST OF EXHIBITS.

The following instruments are included as exhibits to this Registration Statement and are filed herewith unless otherwise indicated. Exhibits incorporated by reference are so indicated by parenthetical information.

+1.1	--	Form of Underwriting Agreement
+3.1	--	Form of Agreement of Limited Partnership of Heritage Propane Partners, L.P. (included as Appendix A to Prospectus)
3.2	--	Form of Agreement of Limited Partnership of Heritage Operating, L.P.
+3.3	--	Certificate of Limited Partnership of Heritage Propane Partners, L.P.
+3.4	--	Certificate of Limited Partnership of Heritage Operating, L.P.
+5.1	--	Opinion of Andrews & Kurth L.L.P. as to the legality of securities being registered
+8.1	--	Opinion of Andrews & Kurth L.L.P. relating to tax matters
10.1	--	Form of Bank Credit Facility
10.2	--	Form of Note Purchase Agreement
10.3	--	Form of Contribution, Conveyance and Assumption Agreement among Heritage Holdings, Inc., Heritage Propane Partners, L.P. and Heritage Operating, L.P.
+10.4	--	1989 Stock Option Plan
+10.5	--	1995 Stock Option Plan
+10.6	--	Restricted Unit Plan
10.7	--	Unit Purchase Plan

+10.8	--	Employment Agreement for R. C. Mills
+10.9	--	Employment Agreement for G. A. Darr
+10.10	--	Employment Agreement for H. Michael Krimbill
+10.11	--	Employment Agreement for James E. Bertelsmeyer
+10.12	--	Severance Plan for Executive Employees
+10.13	--	Severance Plan for Management Employees
+10.14	--	Severance Plan for General Employees
+16.1	--	Letter dated April 22, 1996 from Deloitte & Touche
+21.1	--	List of Subsidiaries
+23.1	--	Consent of Andrews & Kurth L.L.P. (included in Exhibit 5.1)
+23.2	--	Consent of Andrews & Kurth L.L.P. (included in Exhibit 8.1)
23.3	--	Consent of Arthur Andersen LLP
23.4	--	Consent of Turlington and Company, L.L.P.
23.5	--	Consent of David R. Gargano, CPA, P.C.
+24.1	--	Powers of attorney (included on the signature page contained in Part II of this Registration Statement)

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\+ Previously filed

(b) Financial statement schedules

All financial statement schedules are omitted because the information is not required, is not material or is otherwise included in the financial statements or related notes hereto.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement filed as Exhibit 1.1 to the registration statement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of the registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of the registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Tulsa, State of Oklahoma, on the 21st day of June, 1996.

HERITAGE PROPANE PARTNERS, L.P.

BY: HERITAGE HOLDINGS, INC.
General Partner of Heritage Propane Partners, L.P.

By: /s/ H. MICHAEL KRIMBILL
H. Michael Krimbill
Vice President -- Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
* James E. Bertelsmeyer	Chairman of the Board and Chief Executive Officer (Principal executive officer)	June 21, 1996
* R. C. Mills	Executive Vice President and Chief Operating Officer	June 21, 1996
* G. A. Darr	Vice President -- Corporate Development	June 21, 1996
/s/ H. MICHAEL KRIMBILL H. Michael Krimbill	Vice President -- Chief Financial Officer (Principal financial and accounting officer)	June 21, 1996
* Bill W. Byrne	Director	June 21, 1996
Bryan C. Cressey	Director	June 21, 1996
* John D. Capps	Director	June 21, 1996
* J. Charles Sawyer	Director	June 21, 1996
Carl D. Thoma	Director	June 21, 1996

*By: /s/ H. MICHAEL KRIMBILL June 21, 1996
H. Michael Krimbill
Attorney-in-Fact

INDEX TO EXHIBITS

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+21.1	--	List of Subsidiaries	
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+23.2	--	Consent of Andrews & Kurth L.L.P. (included in Exhibit 8.1)	
23.3	--	Consent of Arthur Andersen LLP	
23.4	--	Consent of Turlington and Company, L.L.P.	
23.5	--	Consent of David R. Gargano, CPA, P.C.	
+24.1	--	Powers of attorney (included on the signature page contained in Part II of this Registration Statement)	

- ---------------

\+ Previously filed

Exhibit 3.2

Draft 6/20/96

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

HERITAGE OPERATING, L.P.

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AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF HERITAGE OPERATING, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF HERITAGE OPERATING, L.P. dated as of _________, 1996, is entered into by and among Heritage Holdings, Inc., a Delaware corporation, as the General Partner, and Heritage Propane Partners, L.P., as the initial Limited Partner, together with any other Persons who become Partners in the Partnership or parties hereto as provided herein. In consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions.

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

"Additional Limited Partners" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.4 and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by any amounts that such Partner is obligated to restore under the standards set by Treasury Regulation Section 1.704- 1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)) and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such fiscal year, are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such fiscal year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(d)(i) or 6.1(d)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The "Adjusted Capital Account" of a Partner in respect of a general partner interest or any other specified interest in the Partnership shall be the amount which such Adjusted Capital Account would be if such general partner interest or other interest in the Partnership were

the only interest in the Partnership held by a Partner from and after the date on which such general partner interest or other interest was first issued.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii). Once an Adjusted Property is deemed distributed by, and recontributed to, the Partnership for federal income tax purposes upon a termination thereof pursuant to Section 708 of the Code, such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is subsequently adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii).

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

"Agreed Allocation" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 6.1, including, without limitation, a Curative Allocation (if appropriate to the context in which the term "Agreed Allocation" is used).

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the Agreed Value of any property deemed contributed to the Partnership for federal income tax purposes upon termination and reconstitution thereof pursuant to Section 708 of the Code shall be determined in accordance with Section 5.5(c). Subject to Section 5.5(c), the General Partner shall, in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

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

"Assets" has the meaning assigned to such term in the Contribution and Conveyance Agreement.

"Assumed Liabilities" has the meaning assigned to such term in the Contribution and Conveyance Agreement.

"Audit Committee" means a committee of the Board of Directors of the General Partner composed entirely of two or more directors who are neither officers or employees of the General Partner or officers, directors or employees of any Affiliate of the General Partner.

"Available Cash," means, with respect to any Quarter ending prior to the Liquidation Date,

(a) the sum of (i) all cash and cash equivalents of the Partnership Group on hand at the end of such Quarter, and (ii) all additional cash and cash equivalents of the Partnership Group on hand on the date of determination of Available Cash with respect to such Quarter resulting from borrowings for working capital purposes, in each case subsequent to the end of such Quarter, less

(b) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (i) provide for the proper conduct of the business of the Partnership Group (including reserves for future capital expenditures) subsequent to such Quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which any member of the Partnership Group is a party or by which it is bound or its assets are subject or (iii) provide funds for distributions under Section 6.4 or 6.5 of the MLP Agreement in respect of any one or more of the next four Quarters; provided, however, that the General Partner may not establish cash reserves pursuant to (iii) above if the effect of such reserves would be that the MLP is unable to distribute the Minimum Quarterly Distribution on all Common Units with respect to such Quarter; and, provided further, that disbursements by a Group Member or cash reserves established, increased or reduced after the end of such Quarter but on or before the date of determination of Available Cash with respect to such Quarter shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such Quarter if the General Partner so determines.

Notwithstanding the foregoing, "Available Cash" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 5.5 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

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

"Capital Account" means the capital account maintained for a Partner pursuant to Section 5.5.

"Cause" means a court of competent jurisdiction has entered a final, non-appealable judgment finding the General Partner liable for actual fraud, gross negligence or willful or wanton misconduct in its capacity as general partner of the Partnership.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

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

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

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

"Contributed Property" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership (or deemed contributed to the Partnership on termination and reconstitution thereof pursuant to Section 708 of the Code). Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 5.5(d), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"Contribution and Conveyance Agreement" means that certain Contribution, Conveyance and Assumption Agreement, dated _________, 1996, among the General Partner, HBSC, the MLP, the Partnership and certain other parties, together with the additional conveyance documents and instruments contemplated or referenced thereunder.

"Curative Allocation" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 6.1(d)(ix).

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

"Departing Partner" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1 or 11.2.

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

"Event of Withdrawal" has the meaning assigned to such term in Section 11.1.

"General Partner" means Heritage Holdings, Inc. and its successors and permitted assignees as general partner of the Partnership.

"Group Member" means a member of the Partnership Group.

"Indemnitee" means (a) the General Partner, any Departing Partner and any Person who is or was an Affiliate of the General Partner or any Departing Partner, (b) any Person who is or was a director, officer, employee, agent or trustee of the Partnership, (c) any Person who is or was a director, employee, agent or trustee of the General Partner or any Departing Partner or any such Affiliate, (d) any Person who is or was serving at the request of the General Partner or any Departing Partner or any such Affiliate as a director, officer, employee, partner, agent, fiduciary or trustee of another Person; provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services.

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

"Limited Partner" means any Person that is admitted to the Partnership as a limited partner pursuant to the terms and conditions of this Agreement; but the term Limited Partner shall not include any Person from and after the time such Person withdraws as a Limited Partner from the Partnership.

"Liquidation Date" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the Partners have the right to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"Liquidator" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3.

"Merger Agreement" has the meaning assigned to such term in Section 14.1.

"Minimum Quarterly Distribution" has the meaning assigned to such term in the MLP Agreement.

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

"MLP Agreement" means the Amended and Restated Agreement of Limited Partnership of the MLP, dated _________ ___, 1996.

"National Securities Exchange" means an exchange registered with the Commission under Section 6(a) of the Securities Exchange Act of 1934, as amended, supplemented or restated from time to time, and any successor to such statute, or the Nasdaq Stock Market or any successor thereto.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.5(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable year, the excess, if any, of the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Income shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d).

"Net Loss" means, for any taxable year, the excess, if any, of the Partnership's items of loss and deduction (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year over the Partnership's items of income and gain (other than those items taken into account in the computation of Net Termination Gain or Net Termination Loss) for such taxable year. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(d).

"Net Termination Gain" means, for any taxable year, the sum, if positive, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Gain shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Net Termination Loss" means, for any taxable year, the sum, if negative, of all items of income, gain, loss or deduction recognized by the Partnership after the Liquidation Date. The items included in the determination of Net Termination Loss shall be determined in accordance with Section 5.5(b) and shall not include any items of income, gain or loss specially allocated under Section 6.1(d).

"Nonrecourse Built-in Gain" means with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Sections 6.2(b)(i)(A),

6.2(b)(ii)(A) and 6.2(b)(iii) if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

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

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

"Notes" means the $120 million of Senior Secured Notes issued by Heritage and assumed by the Partnership in conjunction with the Initial Offering.

"OLP Subsidiary" means a Subsidiary of the Partnership.

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

"Over-allotment Option" has the meaning assigned to such term in the MLP Agreement.

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

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

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

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

"Partnership" means Heritage Operating, L.P., a Delaware limited partnership, and any successors thereto.

"Partnership Group" means the Partnership and the OLP Subsidiaries, treated as a single consolidated entity.

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

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

"Percentage Interest" means the percentage interest in the Partnership held by each Partner upon completion of the transactions in Section 5.2 and shall mean (a) as to the General Partner (in its capacity as general partner of the Partnership), 1.0101%, and (b) as to the Limited Partner, 98.9899%.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Quarter" means, unless the context requires otherwise, a fiscal quarter of the Partnership.

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

"Registration Statement" means the Registration Statement on Form S-1 (Registration No. 333-4018), as it has been or as it may be amended or supplemented from time to time, filed by the MLP with the Securities and Exchange Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

"Required Allocations" means (a) any limitation imposed on any allocation of Net Losses or Net Termination Losses under Section 6.1(b) or 6.1(c)(ii) and (b) any allocation of an item of income, gain, loss or deduction pursuant to Section 6.1(d)(i), 6.1(d)(ii), 6.1(d)(iv), 6.1(d)(vii) or 6.1(d)(ix).

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 6.2(b)(i)(A) or 6.2(b)(ii)(A), respectively, to eliminate Book-Tax Disparities.

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

"Special Approval" means approval by a majority of the members of the Audit Committee.

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

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

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

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"Surviving Business Entity" has the meaning assigned to such term in Section 14.2(b).

"Transfer" has the meaning assigned to such term in Section 4.1(a).

"Underwriter" means each Person named as an underwriter in Schedule I to the Underwriting Agreement who purchases Common Units pursuant thereto.

"Underwriting Agreement" means the Underwriting Agreement dated_________, 1996, among the Underwriters, the MLP and certain other parties, providing for the purchase of Common Units by such Underwriters.

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

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

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 5.5(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date).

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 5.5(d)).

"U.S. GAAP" means United States Generally Accepted Accounting Principles consistently applied.

"Withdrawal Opinion of Counsel" has the meaning assigned to such term in Section 11.1(b).

1.2 Construction.

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

ARTICLE II
ORGANIZATION

2.1 Formation.

The General Partner and the MLP have previously formed the Partnership as a limited partnership pursuant to the provisions of the Delaware Act and hereby amend and restate the original Agreement of Limited Partnership of Heritage Operating, L.P. in its entirety. This amendment and restatement shall become effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes.

2.2 Name.

The name of the Partnership shall be "Heritage Operating, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General Partner, in its sole discretion, including the name of the General Partner. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner in its discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

2.3 Registered Office; Registered Agent; Principal Office; Other Offices.

Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at 1209 Orange Street, New Castle County, Wilmington, Delaware 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be CT Corporation System. The principal office of the Partnership shall be located at 8801 South Yale Avenue, Suite 310, Tulsa, Oklahoma 74137, or such other place as the General Partner may from time to time designate by notice to the Limited Partner. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner shall be 8801 South Yale Avenue, Suite 310, Tulsa, Oklahoma 74137 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

2.4 Purpose and Business.

The purpose and nature of the business to be conducted by the Partnership shall be to (a) acquire, manage and operate the Assets and any similar assets or properties, and to engage directly in, or to enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any type of business or activity engaged in by Heritage Holdings, Inc. immediately prior to the Closing Date and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity, (b) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner and which may lawfully be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity and (c) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans (subject to Section 7.6) to any Group Member, the MLP or any Subsidiary of the MLP. The General Partner has no obligation or duty to the Partnership or the Limited Partners to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Partnership of any business.

2.5 Powers.

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

2.6 Power of Attorney.

(a) The Limited Partners hereby constitute and appoint the General Partner and, if a Liquidator shall have been selected pursuant to Section 12.3, the Liquidator, severally (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as his true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Interests; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger or consolidation of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when the approval of the Limited Partners is required by any provision of this Agreement, the General Partner or the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of the Limited Partners is obtained.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

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

2.7 Term.

The Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the close of Partnership business on September 30, 2085, or until the earlier termination of the Partnership in accordance with the provisions of Article XII.

2.8 Title to Partnership Assets.

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

All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

ARTICLE III

RIGHTS OF THE LIMITED PARTNERS

3.1 Limitation of Liability.

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

3.2 Management of Business.

No Limited Partner (other than the General Partner, or any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner or any of its Affiliates, or any officer, director, employee or agent of a Group Member, in its capacity as such, if such Person shall also be a Limited Partner) shall participate in the operation, management or control (within the meaning of Section 17-303(a) of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, partner, agent or trustee of the General Partner or any of its Affiliates, or any officer, member of the board of directors, employee or agent of a Group Member, the MLP or any Subsidiary of the MLP, in its capacity as such, shall not be deemed to be participation in the control (within the meaning of Section 17-303(a) of the Delaware Act) of the business of the Partnership by a limited partner of the Partnership and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners under this Agreement.

3.3 Rights of Limited Partners Relating to the Partnership.

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.3(b), each of the Limited Partners shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable demand and at the Limited Partner's own expense:

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

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

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

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

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

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

(b) The General Partner may keep confidential from the Limited Partners for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the MLP or the Partnership Group, (B) could damage the MLP or the Partnership Group or (C) that the MLP or any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates the primary purpose of which is to circumvent the obligations set forth in this Section 3.3).

3.4 Outside Activities of the Limited Partners.

Subject to the provisions of Section 7.5, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Person shall also be a Limited Partner, any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group.

ARTICLE IV

TRANSFER OF PARTNERSHIP INTERESTS

4.1 Transfer Generally.

(a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction by which a Partner assigns its Partnership Interest to another Person, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

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

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

4.2 Transfer of the General Partner's Partnership Interest.

If the General Partner transfers its Partnership Interest as the general partner of the MLP to any Person in accordance with the provisions of the MLP Agreement, the General Partner shall contemporaneously therewith transfer all, but not less than all, of its Partnership Interest as the general partner of the Partnership to such Person, and the Limited Partners hereby expressly consent to such transfer. Except as set forth in the immediately preceding sentence and in Section 5.2, the General Partner may not transfer all or any part of its Partnership Interest as the general partner of the Partnership.

4.3 Transfer of the Limited Partners' Partnership Interests.

Any Limited Partner may transfer all, but not less than all, of its Partnership Interest as a limited partner of the Partnership in connection with the merger, consolidation or other combination of any of the Limited Partners with or into any other Person or the transfer by any of the Limited Partners of all or substantially all of its assets to another Person, and following any such transfer such Person may become a Substituted Limited Partner pursuant to Article X. Except as set forth in the immediately preceding sentence and in Section 5.2, or in connection with any pledge of (or any related foreclosure on) the Limited Partner's Partnership Interest as a limited partner of the Partnership solely for the purpose of securing, directly or indirectly, indebtedness of the Partnership or the MLP, and except for the transfers contemplated by Sections 5.2 and 10.1, a Limited Partner may not transfer all or any part of its Partnership Interest or withdraw from the Partnership.

4.4 Restrictions on Transfers.

(a) Notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interest shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authorities with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership or the MLP or (iii) cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of the Partnership or the MLP becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions.

ARTICLE V

CONTRIBUTIONS AND INITIAL TRANSFERS

5.1 Initial Contributions.

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

5.2 Contributions and Initial Transfers by the MLP and the General Partner.

On the Closing Date, pursuant to, and subject to the conditions of, the Contribution and Conveyance Agreement, the following transactions shall occur in the following order:

(a) The General Partner shall convey the Assets to the Partnership. In exchange, the Partnership shall (A) continue the General Partners 1.0101% general partner interest in the Partnership, (B) issue to the General Partner a 98.9899% limited partner interest in the Partnership and (C) assume the Assumed Liabilities.

(b) The General Partner shall transfer all of its limited partner interest in the Partnership (the "Limited Partner Interest") in addition to other assets to the MLP in exchange for the consideration provided for in the Contribution and Conveyance Agreement.

5.3 Additional Capital Contributions

With the consent of the General Partner, any Limited Partner may, but shall not be obligated to, make additional Capital Contributions to the Partnership. Contemporaneously with the making of any Capital Contributions by a Limited Partner in addition to those provided in Sections 5.1 and 5.2 hereof, the General Partner shall be obligated to make an additional Capital Contribution to the Partnership in an amount equal to 1.0101 / 98.9899 of the Net Agreed Value of the additional Capital Contribution then made by such Limited Partner (other than with respect to additional Capital Contributions by the Limited Partner of the net proceeds received by the MLP upon the

issuance of Common Units pursuant to the Over-allotment Option). Except as set forth in the immediately preceding sentence and Article XII, the General Partner shall not be obligated to make any additional Capital Contributions to the Partnership.

5.4 Interest and Withdrawal.

No interest shall be paid by the Partnership on Capital Contributions, and no Partner shall be entitled to withdrawal or return of any part of its Capital Contributions or to receive any distribution from the Partnership, except as provided in Articles VI, XI and XII.

5.5 Capital Accounts.

(a) The Partnership shall maintain for each Partner owning a Partnership Interest a separate Capital Account with respect to such Partnership Interest in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1, and decreased by (x) the amount of cash or the Net Agreed Value of all actual and deemed distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1.

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

(i) Solely for purposes of this Section 5.5, the Partnership shall be treated as owning directly its proportionate share (as determined by the General Partner) of all property owned by any OLP Subsidiary that is classified as a partnership for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 6.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-2(b)(2)(iv)(m) to be taken into account in determining Capital Accounts, the amount of such adjustment in the Capital Accounts shall be treated as an item of gain or loss.

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

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.5(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(vi) If the Partnership's adjusted basis in a depreciable or cost recovery property is reduced for federal income tax purposes pursuant to Section 48(q)(1) or 48(q)(3) of the Code, the amount of such reduction shall, solely for purposes hereof, be deemed to be an additional depreciation or cost recovery deduction in the year such property is placed in service and shall be allocated among the Partners pursuant to Section 6.1. Any restoration of such basis pursuant to Section 48(q)(2) of the Code shall, to the extent possible, be allocated in the same manner to the Partners to whom such deemed deduction was allocated.

(c) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred; provided, however, that, if the transfer causes a termination of the Partnership under Section 708(b)(1)(B) of the Code, the Partnership's properties and liabilities shall be deemed (i) to have been distributed in

liquidation of the Partnership to the Partners (including any transferee of a Partnership Interest that is a party to the transfer causing such termination) pursuant to Section 12.4 (after adjusting the balance of the Capital Accounts of the Partners as provided in Section 5.5(d)(ii)) and recontributed by such Partners in reconstitution of the Partnership or (ii) to be treated as mandated by Treasury Regulations issued pursuant to Sections 708 and 704 of the Code as amended. Any such deemed contribution and distribution shall be treated as an actual contribution and distribution for purposes of this Section 5.5. In such event, the Carrying Values of the Partnership properties shall be adjusted immediately prior to such deemed contribution and distribution pursuant to Section 5.5(d)(ii) and such Carrying Values shall then constitute the Agreed Values of such properties upon such deemed contribution to the new Partnership. The Capital Accounts of such new Partnership shall be maintained in accordance with the principles of this Section 5.5.

(d) (i) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), on an issuance of additional Partnership Interests for cash or Contributed Property, the Capital Account of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 6.1(c). In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such manner as it determines in its discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f), immediately prior to any actual or deemed distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the Capital Accounts of all Partners and the Carrying Value of all Partnership property shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 6.1(c). In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall (A) in the case of an actual distribution which is not made pursuant to Section 12.4 or in the case of a deemed contribution and/or distribution occurring as a result of a termination of the Partnership pursuant to Section 708 of the Code, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating

distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

5.6 Loans from Partners.

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

5.7 Limited Preemptive Rights.

Except as provided in Section 5.3, no Person shall have preemptive, preferential or other similar rights with respect to (a) additional Capital Contributions; (b) issuance or sale of any class or series of Partnership Interests, whether unissued, held in the treasury or hereafter created; (c) issuance of any obligations, evidences of indebtedness or other securities of the Partnership convertible into or exchangeable for, or carrying or accompanied by any rights to receive, purchase or subscribe to, any such Partnership Interests; (d) issuance of any right of subscription to or right to receive, or any warrant or option for the purchase of, any such Partnership Interests; or (e) issuance or sale of any other securities that may be issued or sold by the Partnership.

5.8 Fully Paid and Non-Assessable Nature of Limited Partner Partnership Interests.

All Limited Partner Partnership Interests issued pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Partnership Interests in the Partnership, except as such non-assessability may be affected by Section 17-607 of the Delaware Act.

ARTICLE VI

ALLOCATIONS AND DISTRIBUTIONS

6.1 Allocations for Capital Account Purposes.

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Section 5.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided hereinbelow.

(a) Net Income. After giving effect to the special allocations set forth in Section 6.1(d), Net Income for each taxable year and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable year shall be allocated as follows:

(i) First, 100% to the General Partner until the aggregate Net Income allocated to the General Partner pursuant to this Section 6.1(a)(i) for the current taxable year and all previous taxable years is equal to the aggregate Net Losses allocated to the General Partner pursuant to Section 6.1(b)(ii) for all previous taxable years;

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

(b) Net Losses. After giving effect to the special allocations set forth in Section 6.1(d), Net Losses for each taxable period and all items of income, gain, loss and deduction taken into account in computing Net Losses for such taxable period shall be allocated as follows:

(i) First, 100% to the General Partner and the Limited Partners, in accordance with their respective Percentage Interests; provided, that Net Losses shall not be allocated pursuant to this Section 6.1(b)(i) to the extent that such allocation would cause a Limited Partner to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account);

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

(c) Net Termination Gains and Losses. After giving effect to the special allocations set forth in Section 6.1(d), all items of income, gain, loss and deduction taken into account in computing Net Termination Gain or Net Termination Loss for such taxable period shall be allocated in the same manner as such Net Termination Gain or Net Termination Loss is allocated hereunder. All allocations under this Section 6.1(c) shall be made after Capital Account balances have been adjusted by all other allocations provided under this Section 6.1 and after all distributions of Available Cash provided under Section 6.4 have been made with respect to the taxable period ending on or before the Liquidation Date; provided, however, that solely for purposes of this Section 6.1(c), Capital Accounts shall not be adjusted for distributions made pursuant to Section 12.4.

(i) If a Net Termination Gain is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Gain shall be allocated between the General Partner and the Limited Partners in the following manner (and the Capital Accounts of the Partners shall be increased by the amount so allocated in each of the following subclauses, in the order listed, before an allocation is made pursuant to the next succeeding subclause):

(A) First, to each Partner having a deficit balance in its Capital Account, in the proportion that such deficit balance bears to the total deficit balances

in the Capital Accounts of all Partners, until each such Partner has been allocated Net Termination Gain equal to any such deficit balance in its Capital Account; and

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

(ii) If a Net Termination Loss is recognized (or deemed recognized pursuant to Section 5.5(d)), such Net Termination Loss shall be allocated to the Partners in the following manner:

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

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

(d) Special Allocations. Notwithstanding any other provision of this Section 6.1, the following special allocations shall be made for such taxable period:

(i) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Section 6.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d) with respect to such taxable period (other than an allocation pursuant to Sections 6.1(d)(vi) and 6.1(d)(vi)). This Section 6.1(d)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Partner Nonrecourse Debt Minimum Gain. Notwithstanding the other provisions of this Section 6.1 (other than Section 6.1(d)(i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.1(d), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(d), other than Section 6.1(d)(i) and other

than an allocation pursuant to Sections 6.1(d)(iv) and 6.1(d)(v), with respect to such taxable period. This Section 6.1(d)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(iii) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 6.1(d)(i) or (ii).

(iv) Gross Income Allocations. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 6.1(d)(iv) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided in this Section 6.1 have been tentatively made as if this Section 6.1(d)(iv) were not in this Agreement.

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

(vi) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

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

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

(ix) Curative Allocation.

(A) Notwithstanding any other provision of this Section 6.1, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income, gain, loss and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 6.1. Notwithstanding the preceding sentence, Required Allocations relating to (1) Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partnership Minimum Gain and (2) Partner Nonrecourse Deductions shall not be taken into account except to the extent that there has been a decrease in Partner Nonrecourse Debt Minimum Gain. Allocations pursuant to this Section 6.1(d)(ix)(A) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners. Further, allocations pursuant to this Section 6.1(d)(ix)(A) shall be deferred with respect to allocations pursuant to clauses (1) and (2) hereof to the extent the General Partner reasonably determines that such allocations are likely to be offset by subsequent Required Allocations.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 6.1(d)(ix)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations

pursuant to Section 6.1(d)(ix)(A) among the Partners in a manner that is likely to minimize such economic distortions.

6.2 Allocations for Tax Purposes.

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 6.1.

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

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 5.5(d)(i) or (ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 6.2(b)(i)(A); and (B) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

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

(c) For the proper administration of the Partnership and for the preservation of uniformity of Units of the MLP (or any class or classes thereof), the General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depreciation, amortization and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of Units of the MLP (or any class or classes thereof). The General

Partner may adopt such conventions, make such allocations and make such amendments to this Agreement as provided in this Section 6.2(c) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Units of the MLP issued and outstanding or the Partnership, and if such allocations are consistent with the principles of Section 704 of the Code.

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

(e) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 6.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

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

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

6.3 General Distributions.

(a) Within 45 days following the end of each Quarter commencing with the Quarter ending on August 31, 1996, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act, be distributed in accordance with this Article VI by the Partnership to the Partners in accordance with their respective Percentage Interests. The immediately preceding sentence shall not require any distribution of cash if and to the extent such distribution would be prohibited by applicable law or by any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Partnership is a party or by which it is bound or its assets are subject. All distributions required to be made under this Agreement shall be made subject to Section 17-607 of the Delaware Act.

(b) In the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs (other than from borrowings described in (a)(ii) of the definition of Available Cash) shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) The General Partner shall have the discretion to treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of Available Cash to such Partners.

ARTICLE VII

MANAGEMENT AND OPERATION OF BUSINESS

7.1 Management

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner or Assignee shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group, (subject to Section 7.6) the lending of funds to other Persons (including the MLP), the repayment of obligations of the the MLP or Partnership Group and the making of capital contributions to any member of the Partnership Group;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of such insurance for the benefit of the Partnership Group and the Partners (including the assets of the Partnership) as it deems necessary or appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, corporations or other relationships;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation; and

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law.

(b) Notwithstanding any other provision of this Agreement, the MLP Agreement, the Delaware Act or any applicable law, rule or regulation, each of the Partners (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the MLP Agreement the Underwriting Agreement, the Conveyance and Contribution Agreement, the agreements and other documents filed as exhibits to the Registration Statement, and the other agreements described in or filed as a part of the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners; and (iii) agrees that the execution, delivery or performance by the General Partner, the MLP, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement, shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

7.2 Certificate of Limited Partnership

The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.3(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner or Assignee.

7.3 Restrictions on General Partner's Authority

(a) The General Partner may not, without written approval of the specific act by the Limited Partner or by other written instrument executed and delivered by the Limited Partner subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make

it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership property, or assigning any rights in specific Partnership property, for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner; or (v) transferring its interest as general partner of the Partnership.

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions without the approval of the Limited Partners; provided however that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership and shall not apply to any forced sale of any or all of the assets of the Partnership pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of holders of at least a Unit Majority, the General Partner shall not, on behalf of the MLP, (i) consent to any amendment to this Agreement or, except as expressly permitted by Section 7.9(d) of the MLP Agreement, take any action permitted to be taken by a partner of the Partnership, in either case, that would have a material adverse effect on the MLP as a partner of the Partnership or (ii) except as permitted under Sections 4.6, 11.1 and 11.2 of the MLP Agreement, elect or cause the MLP to elect a successor general partner of the Partnership.

(c) At all times while serving as the general partner of the Partnership, the General Partner shall not make any dividend or distribution on, or repurchase any shares of, its stock or take any other action within its control if the effect of such action would cause its net worth, independent of its interest in the Partnership Group, to be less than $8.2 million or such lower amount, which based on an Opinion of Counsel that states, (i) based on a change in the position of the Internal Revenue Service with respect to partnership status pursuant to Code Section 7701, such lower amount would not cause the MLP or the Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes and (ii) would not result in the loss of the limited liability of any Limited Partner.

7.4 Reimbursement of the General Partner

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement or in the MLP Agreement, the General Partner shall not be compensated for its services as general partner of the MLP or any Group Member.

(b) The General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (including salary, bonus, incentive compensation and other amounts paid to any Person, including Affiliates of the General Partner, to perform services for the Partnership or for the General Partner in the discharge of its duties to the Partnership), and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including expenses allocated to the General Partner by its Affiliates).

The General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) The General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt on behalf of the Partnership employee benefit plans, employee programs and employee practices for the benefit of employees of the General Partner, any Group Member or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership Group. Expenses incurred by the General Partner in connection with any such plans, programs and practices shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any employee benefit plans, employee programs or employee practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's Partnership Interest as a general partner in the Partnership pursuant to Section 4.2.

7.5 Outside Activities

(a) After the Closing Date, the General Partner, for so long as it is the general partner of the Partnership (i) agrees that its sole business will be to act as a general partner of the Partnership, the MLP, and any other partnership of which the Partnership or the MLP is, directly or indirectly, a partner and to undertake activities that are ancillary or related thereto (including being a limited partner in the MLP), (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner of the MLP or one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in the MLP or any Group Member and (ii) shall not, and shall cause its Affiliates (other than a MLP or Group Member) not to, engage in the retail sale of propane to end users in the continental United States.

(b) Except as restricted by Sections 7.5(a), each Indemnitee shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by the MLP or any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of the MLP or any Group Member, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to any Group Member or any Partner or Assignee. Neither any Group Member, any Limited Partner nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby or thereby in any business ventures of any Indemnitee.

(c) Subject to the terms of Section 7.5(a) and (b), but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners and (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any type whatsoever of the General Partner for the Indemnitees (other than the General Partner) to engage in such business interests and activities in preference to or to the exclusion of the Partnership (including, without limitation, the General Partner and the Indemnities shall have no obligation to present business opportunities to the Partnership).

(d) The term "Affiliates" when used in Section 7.5 with respect to the General Partner shall not include the MLP, any Group Member or any Subsidiary of the Group Member.

7.6 Loans from the General Partner; Contracts with Affiliates; Certain Restrictions on the General Partner

(a) The General Partner or any Affiliate thereof may lend to the MLP or any Group Member, and the MLP or any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the MLP or the Group Member for such periods of time and in such amounts as the General Partner may determine; provided, however, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arms'-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.6(a) and Section 7.6(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to the General Partner or any of its Affiliates (other than another Group Member).

(b) The Partnership may lend or contribute to any Group Member and any Group Member, may borrow from the Partnership, funds on terms and conditions established in the sole discretion of the General Partner; provided, however, that the Partnership may not charge the Group Member interest at a rate less than the rate that would be charged to the Group Member (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the

Partnership; provided, however, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership Group), is equitable to the Partnership Group. The provisions of Section 7.4 shall apply to the rendering of services described in this Section 7.6(c).

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

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.1 and 5.2, the Conveyance and Contribution Agreement and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership.

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

(g) Without limitation of Sections 7.6(a) through 7.6(f), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

7.7 Indemnification

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened

to be involved, as a party or otherwise, by reason of its status as an Indemnitee, provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause to believe its conduct was unlawful; provided, further, no indemnification pursuant to this Section 7.7 shall be available to the General Partner with respect to its obligations incurred pursuant to the Underwriting Agreement or the Conveyance and Contribution Agreement (other than obligations incurred by the General Partner on behalf of the Partnership or the MLP). The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

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

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7(a); and action taken or omitted by it with respect to any employee benefit

plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

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

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair (i) the right of any past, present or future Indemnitee to be indemnified by the Partnership, or (ii) the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

7.8 Liability of Indemnitees

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

(b) Subject to its obligations and duties as General Partner set forth in Section 7.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partner, and the Partnership's and General Partner's directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

7.9 Resolution of Conflicts of Interest

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

(b) Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership, the Limited Partner or any limited partner of the Limited Partner, (ii) it

may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, the MLP Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. In addition, any actions taken by the General Partner or such Affiliate consistent with the standards of "reasonable discretion" set forth in the definitions of Available Cash shall not constitute a breach of any duty of the General Partner to the Partnership, the Limited Partner or any limited partner of the Limited Partner. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business. No borrowing by any Group Member or the approval thereof by the General Partner shall be deemed to constitute a breach of any duty of the General Partner to the Partnership or the Limited Partners by reason of the fact that the purpose or effect of such borrowing is directly or indirectly to (A) enable distributions to the General Partner or its Affiliates (including in their capacities as Limited Partners) to exceed 1% of the total amount distributed to all partners or (B) hasten the expiration of the "Subordination Period" under the MLP Agreement or the conversion of any Subordinated Units in the MLP into Common Units in the MLP.

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

(d) The Limited Partner hereby authorizes the General Partner, on behalf of the Partnership as a partner of a Group Member, to approve of actions by the general partner of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

7.10 Other Matters Concerning the General Partner

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

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership.

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

7.11 Reliance by Third Parties

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

ARTICLE VIII

BOOKS, RECORDS, ACCOUNTING AND REPORTS

8.1 Records and Accounting.

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.3(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device, provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

8.2 Fiscal Year.

The fiscal year of the Partnership shall be from September 1st to August 31st.

ARTICLE IX

TAX MATTERS

9.1 Preparation of Tax Returns.

The Partnership shall timely file all returns of the Partnership that are required for federal, state and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by the Partners for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The classification, realization and recognition of income and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

9.2 Tax Elections.

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners.

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

9.3 Tax Controversies.

Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in Section 6231 of the Code) and is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

9.4 Withholding.

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may be treated as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

ARTICLE X

ADMISSION OF PARTNERS

10.1 Admission of the General Partner.

Upon the conveyance referred to in Section 5.2(a), the General Partner shall be admitted to the Partnership as a Limited Partner. Upon the transfer referred to in Section 5.2(b), the General Partner shall withdraw from, and cease to be a Limited Partner of, the Partnership.

10.2 Admission of Substituted Limited Partners.

Any person that is the successor in interest to a Limited Partner as described in Section 4.3 shall be admitted to the Partnership as a Limited Partner upon (a) furnishing to the General Partner (i) acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement and (ii) such other documents or instruments as may be required to effect its admission as a Limited Partner in the Partnership and (b) obtaining the consent of the General Partner, which consent may be given or withheld in the General Partner's sole discretion. Such Person shall be

admitted to the Partnership as a Limited Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution.

10.3 Admission of Successor General Partner.

A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's Partnership Interest as a general partner in the Partnership pursuant to Section 4.2 who is proposed to be admitted as a successor General Partner shall, subject to compliance with the terms of Section 11.3, if applicable, be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the General Partner pursuant to Section 11.1 or 11.2 or the transfer of the General Partner's Partnership Interest as a general partner in the Partnership pursuant to Section 4.2; provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.2 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the Partnership without dissolution.

10.4 Admission of Additional Limited Partners.

(a) A Person (other than the General Partner, the MLP or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the granting of the power of attorney granted in Section 2.6 and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.4, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

10.5 Amendment of Agreement and Certificate of Limited Partnership.

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI

WITHDRAWAL OR REMOVAL OF PARTNERS

11.1 Withdrawal of the General Partner.

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

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

(ii) the General Partner transfers all of its rights as General Partner pursuant to Section 4.2;

(iii) the General Partner is removed pursuant to Section 11.2;

(iv) the general partner of the MLP withdraws from, or is removed as the general partner of, the MLP.

(v) the General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(v); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor in possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(vi) a final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vii) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of the trust, the termination of the trust; (D) in the event the General Partner is a natural person, his

death or adjudication of incompetency; (E) and otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv) (with respect to withdrawal), (v), (vi) or (vii) (A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, Eastern Standard Time, on December 31, 2006, the General Partner voluntarily withdraws by giving at least 90 days advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, all the Limited Partners approve such withdrawal and the General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or of any limited partner of the MLP or any limited partner of any Group Member, or cause the MLP or the Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes; (ii) at any time after 12:00 midnight, Eastern Standard Time, on December 31, 2006, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Limited Partners, such withdrawal to take effect on the date specified in such notice; or (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii), (iii) or (iv). If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i) or Section 11.1(a)(i) of the MLP Agreement, a majority in interest of the Limited Partners may, prior to the effective date of such withdrawal or removal, elect a successor General Partner; provided, however, that such successor shall be the same Person, if any, that is elected by the limited partners of the MLP pursuant to Section 11.1 of the MLP Agreement as the successor to the General Partner in its capacity as general partner of the MLP. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Limited Partners as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

11.2 Removal of the General Partner.

The General Partner shall be removed if such General Partner is removed as a general partner of the MLP pursuant to Section 11.2 of the MLP Agreement. Such removal shall be effective concurrently with the effectiveness of the removal of such General Partner as the general partner of the MLP pursuant to the terms of the MLP Agreement. If a successor General Partner is elected in connection with the removal of such General Partner as a general partner of the MLP, such successor General Partner shall, upon admission pursuant to Article X, automatically become a successor

General Partner of the Partnership. The admission of any such successor General Partner to the Partnership shall be subject to the provisions of Section 10.3.

11.3 Interest of Departing Partner and Successor General Partner.

(a) The Partnership Interest of a Departing Partner departing as a result of withdrawal or removal pursuant to Section 11.1 or 11.2 shall (unless it is otherwise required to be converted into Common Units pursuant to Section 11.3(b) of the MLP Agreement) be purchased by the successor to the Departing Partner for cash in the manner specified in the MLP Agreement. Such purchase (or conversion into Common Units, as applicable) shall be a condition to the admission to the Partnership of the successor as the General Partner. Any successor General Partner shall indemnify the Departing General Partner as to all debts and liabilities of the Partnership arising on or after the effective date of the withdrawal or removal of the Departing Partner.

(b) The Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by such Departing Partner for the benefit of the Partnership.

11.4 Withdrawal of the Limited Partner.

Without the prior written consent of the General Partner, which may be granted or withheld in its sole discretion, and except as provided in Section 10.1, no Limited Partner shall have the right to withdraw from the Partnership.

ARTICLE XII

DISSOLUTION AND LIQUIDATION

12.1 Dissolution.

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, any successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

(a) the expiration of its term as provided in Section 2.7;

(b) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and an Opinion of Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.3;

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

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

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

(f) the dissolution of the MLP.

12.2 Continuation of the Business of the Partnership After Dissolution.

Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.1(a)(i) or (iii) and following a failure of the Limited Partners to appoint a successor General Partner as provided in Section 11.1 or 11.2, then within 90 days thereafter or (b) dissolution of the Partnership upon an event constituting an Event of Withdrawal pursuant to Section 11.1(a)(iv), (v) or (vi) of the MLP Agreement, then, to the maximum extent permitted by law, within 180 days thereafter, all of the Limited Partners may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as a general partner a Person approved by the majority in interest of the Limited Partners. In addition, upon dissolution of the Partnership pursuant to Section 12.1(f), if the MLP is reconstituted pursuant to Section 12.2 of the MLP Agreement, the reconstituted MLP may, within 180 days after such event of dissolution, as the Limited Partner (whether or not it is the sole limited partner), elect to reconstitute the Partnership in accordance with the immediately preceding sentence. Upon any such election by the Limited Partners, all Partners shall be bound thereby and shall be deemed to have approved same. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the reconstituted Partnership shall continue until the end of the term set forth in Section 2.7 unless earlier dissolved in accordance with this Article XII;

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

(iii) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file a new partnership agreement and certificate of limited partnership, and the successor General Partner may for this purpose exercise the powers of attorney granted the General Partner pursuant to Section 2.6; provided, that the right to approve a successor General Partner and

to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of the Limited Partners or any limited partner of the MLP and (y) neither the Partnership, the reconstituted limited partnership nor any Group Member would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

12.3 Liquidator.

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the General Partner shall select one or more Persons to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by the Limited Partners. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by the Limited Partners. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by the Limited Partners. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.9(a)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

12.4 Liquidation.

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Act and the following:

(a) Disposition of Assets. The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners.

The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that a sale would be impractical or would cause undue loss to the partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the partners.

(b) Discharge of Liabilities. Liabilities of the Partnership include amounts owed to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) Liquidation Distributions. All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 12.4(c)) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation, Section 1.704-1(b)(2)(ii)(g)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

12.5 Cancellation of Certificate of Limited Partnership.

Upon the completion of the distribution of Partnership cash and property as provided in Sections 12.3 and 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

12.6 Return of Capital Contributions.

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

12.7 Waiver of Partition.

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

12.8 Capital Account Restoration.

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

ARTICLE XIII

AMENDMENT OF PARTNERSHIP AGREEMENT

13.1 Amendment to be Adopted Solely by the General Partner.

The Limited Partners agree that the General Partner, without the approval of the Limited Partners, may amend any provision of this Agreement, to execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

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

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

(c) a change that, in the discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that neither the Partnership nor the MLP will be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners in any material respect, (ii) is necessary or advisable to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state statute (including the Delaware Act), compliance with any of which the General Partner determines in its discretion to be in the best interests of the Partnership and the Limited Partners, (iii) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement or (iv) is required to conform the provisions of this Agreement with the provisions of the MLP Agreement as the provisions of the MLP Agreement may be amended, supplemented or restated from time to time;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership or the General Partner or its directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

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

(h) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(i) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(j) a merger or conveyance pursuant to Section 14.3(d); or

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

13.2 Amendment Procedures.

Except with respect to amendments of the type described in Section 13.1, all amendments to this Agreement shall be made in accordance with the following requirements: Amendments to this Agreement may be proposed only by or with the consent of the General Partner which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by all of the Limited Partners.

ARTICLE XIV

MERGER

14.1 Authority.

The Partnership may merge or consolidate with one or more corporations, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article XIV.

14.2 Procedure for Merger or Consolidation.

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

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

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

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

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

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

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

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

14.3 Approval by Limited Partners of Merger or Consolidation.

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that a copy or a summary of the Merger Agreement be submitted to the Limited Partners for their approval.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the approval of all of the Limited Partners.

(c) After such approval by the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Mere Change in Form Merger. Notwithstanding anything else contained in this Article XIV or in this Agreement, the General Partner is permitted, in its discretion, without approval of the other Partners, to merge the Partnership or any Group Member into, or convey all of the Partnership's assets to, another limited liability entity which shall be newly formed and shall have no assets, liabilities or operations at the time of such Merger other than those it receives from the Partnership or other Group Member if (i) the General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner or any limited partner in the MLP or cause the Partnership or the MLP to be treated as an association taxable as a corporation or otherwise to be taxes as an entity for federal income tax purposes (to the extent not previously treated as such), (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity and (iii) the governing instruments of the new entity provide the Limited Partners and the General Partner with the same rights and obligations as are herein contained.

14.4 Certificate of Merger.

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

14.5 Effect of Merger.

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

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

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

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

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

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

ARTICLE XV

GENERAL PROVISIONS

15.1 Addresses and Notices.

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner under this Agreement shall be in writing and shall be deemed given or made when received by it at the principal office of the Partnership referred to in Section 2.3.

15.2 References.

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

15.3 Further Action.

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

15.4 Binding Effect.

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

15.5 Integration.

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

15.6 Creditors.

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

15.7 Waiver.

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

15.8 Counterparts.

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

15.9 Applicable Law.

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

15.10 Invalidity of Provisions.

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

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

GENERAL PARTNER:

Heritage Holdings, Inc.

By: ____
Name:
Title:

LIMITED PARTNERS:

HERITAGE PROPANE PARTNERS, L.P.

By: Heritage Holdings, Inc. as
General Partner

By: ____
Name:
Title:

HERITAGE HOLDINGS, INC.

By: ____
Name:
Title:

EXHIBIT 10.1

CREDIT AGREEMENT

DATED AS OF

JUNE 24, 1996

BETWEEN AND AMONG

HERITAGE OPERATING, L.P.,
A DELAWARE LIMITED PARTNERSHIP

"BORROWER"

AND

BANK OF OKLAHOMA, NATIONAL ASSOCIATION,

BANK ONE, TEXAS, NA,

AND

MERCANTILE BANK OF ST. LOUIS, N.A.

"BANKS"

AND

BANK OF OKLAHOMA, NATIONAL ASSOCIATION

AS "AGENT" FOR THE BANKS

CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of June 24, 1996 ("Agreement"), is entered into between and among HERITAGE OPERATING, L.P., a Delaware limited partnership (the "Borrower") (referred to herein as the "Borrower") and BANK OF OKLAHOMA, NATIONAL ASSOCIATION ("BOk"), BANK ONE, TEXAS, NA ("Bank One") and MERCANTILE BANK OF ST. LOUIS, N.A. ("Mercantile") (BOk, Bank One and Mercantile collectively referred to herein as the "Banks") and BOk, as administrative agent for the Banks under this Agreement (in such capacity, the "Agent").

W I T N E S S E T H:

A. WHEREAS, the Borrower has applied to the Banks for a revolving credit facility in the maximum outstanding principal amount of $14,000,000 to be evidenced by the Revolving Credit Notes hereinafter described and defined, the proceeds of which will be used by the Borrower for its seasonal working capital needs and the issuance of standby letters of credit for its account in accordance with and subject to the terms, provisions and conditions hereof (the "Revolving Working Capital Facility");

B. WHEREAS, the Borrower has also applied to the Banks for a $35,000,000 acquisition line of credit to be evidenced by the Acquisition Note hereinafter described and defined, the proceeds of which will be used by the Borrower in connection with approved asset acquisitions in accordance with and subject to the terms, provisions and conditions hereof (the "Acquisition Facility"); and

C. WHEREAS, the Banks are willing to extend the Revolving Working Capital Facility and the Acquisition Facility to the Borrower, subject to the terms, conditions, uses, limitations and provisions hereinafter set forth, all of which are material to the Banks and without which the Banks would not be willing to extend either of such Commitments described above and hereinafter defined.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by all of the parties hereto, the parties agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

When used herein, the following terms shall have the following meanings:

1.1 "Acquired Debt" shall mean with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person merged with or into or became a Subsidiary of such specified Person, including Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person and (ii) Indebtedness encumbering any asset acquired by such specified Person.

1.2 "Acquisition Facility" shall mean the agreement of the Banks to make Acquisition Loans to the Borrower under Article III of this Agreement until December 31, 1998.

1.3 "Acquisition Loans" shall mean the loans made to the Borrower which are described and defined in Section 3.1 hereof.

1.4 "Acquisition Notes" shall mean the Borrower's promissory notes in the aggregate original principal amount of $35,000,000 in the form of Exhibits D-1, D-2 and D-3, respectively, annexed to this Agreement, to be delivered to the order of the respective Banks pursuant to Section 3.2 hereof, together with each and every replacement, extension, renewal, modification, substitution and change in form of any thereof which may be from time to time and for any term or terms effected.

1.5 "Affiliate" shall mean, with respect to any Person any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, except a Subsidiary of such Person. A Person shall be deemed to control a corporation if such Person (i) possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract or otherwise or (ii) owns at least 5% of the Voting Stock of a corporation. As applied to the Borrower, "Affiliate" includes without limitation Heritage (the "General Partner") and Heritage Propane.

1.6 "Applicable Prime Rate" shall mean the annual rate of interest announced by The Chase Manhattan Bank, National Association, New York, New York ("Chase") from time to time as its prime or base rate, which rate shall be the rate used by Chase as a base or standard for pricing purposes and which shall not necessarily be its "best" or lowest rate. Should Chase cease to announce a prime or base rate or should it be merged, consolidated, liquidated or dissolved in such a manner that it loses its separate corporate identity, then the Applicable Prime Rate shall be the Prime Rate published by the Wall Street Journal (Southwest Edition) in its "Money Rates" column, or a similar rate if such rate ceases to be published. Changes in the Applicable Prime Rate shall be effective as of the date of the change.

1.7 "Asset Acquisition" shall mean (a) an Investment by the Borrower or any Restricted Subsidiary of the Borrower in any other Person pursuant to which such Person shall become a Restricted Subsidiary of the Borrower or shall be merged with or into the Borrower or any Restricted Subsidiary of the Borrower, (b) the acquisition by the Borrower or any Restricted Subsidiary of the Borrower of the assets of any Person (other than an existing Subsidiary of the Borrower) which constitute all or substantially all of the assets of such Person or (c) the acquisition by the Borrower or any Restricted Subsidiary of any division or line of business of any Person (other than a Restricted Subsidiary).

1.8 "Asset Sale" shall have the meaning specified in Section 8.24(iii).

1.9 "Available Cash" shall mean, with respect to any fiscal quarter of the Borrower: (i) the sum of (a) all cash (excluding any amounts under paragraph 4D(v) of the Note Purchase Agreement) and Cash Equivalents of the Borrower and its Subsidiaries on hand at the end of such quarter and (b) all additional cash and Cash Equivalents of the Borrower and its Subsidiaries on hand on the date of determination of Available Cash with respect to such quarter resulting from borrowings for working capital purposes subsequent to the end of such quarter, less (ii) the amount of cash reserves that is necessary or appropriate in the reasonable discretion of the Board of Directors of the General Partner to (a) provide for the proper conduct of the business of the Borrower and its Subsidiaries (including reserves for future capital expenditures) subsequent to such quarter, (b) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Borrower or any Subsidiary is a party or its assets are subject (including this Agreement and the Security Documents) and (c) provide funds for distributions to partners of the Partnership and Heritage in respect of any one or more of the next four quarters; provided that the Board of Directors of the General Partner need not establish cash reserves pursuant to clause (iii) if the effect of such reserves would be that the Partnership is unable to distribute the minimum quarterly distribution

on all Common Units with respect to such quarter; and provided, further, that disbursements made by the Borrower or a Subsidiary of the Borrower or cash reserves established, increased or reduced after the end of such quarter but on or before the date of determination of Available Cash with respect to such quarter shall be deemed to have been made, established, increased or reduced for purposes of determining Available Cash, within such quarter if the Board of Directors of the General Partner so determines. In addition, without limiting the foregoing, Available Cash for any fiscal quarter shall reflect reserves equal to (A) the sum of (i) 50% of the interest projected to be paid on the Private Placement Notes in the next succeeding fiscal quarter plus (ii) 100% of the interest projected to be paid on the Notes in the next succeeding fiscal quarter plus (B) beginning with a date three fiscal quarters before a scheduled principal payment date on the Private Placement Notes, the sum of (i) 25% of the aggregate principal amount due on the Private Placement Notes on any such payment date in the third succeeding fiscal quarter, 50% of the aggregate principal amount thereof due on any such payment date in the second succeeding fiscal quarter and 75% of the aggregate principal amount thereof due on any quarterly payment date in the next succeeding fiscal quarter, plus (ii) 100% of the aggregate principal amount due on the Acquisition Note on any quarterly payment date in the next succeeding fiscal quarter, plus (C) the Unused Proceeds Reserve as of the date of determination. The foregoing reserves for amounts to be paid on the Notes and the Private Placement Notes shall be reduced by the aggregate amount of advances available to the Borrower from responsible financial institutions under binding irrevocable (x) credit or financing commitments (which are subject to no conditions which the Borrower is unable to meet) limited to the Revolving Working Capital Facility and expressly excluding the other Commitment issued by the Banks described and defined herein and (y) standby letters of credit (which are subject to no conditions which the Borrower is unable to meet) to be used to refinance such amounts, in each case to the extent such amounts could be borrowed and remain outstanding under Section 7.19.

1.10 "Business Day" shall mean a day other than a Saturday, Sunday or a day upon which banks in the State of Oklahoma or New York, New York are closed to business generally.

1.11 "Capital Stock" shall mean, with respect to any Person, any and all shares, units representing interests, participations, rights in or other equivalents (however designated) of such Person's capital stock, including, with respect to partnerships, partnership interests (whether general or limited) and any other interest or participation that confers upon a Person the right to receive a share of the profits and losses of, or distributions of assets of, such partnership, and any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock.

1.12 "Capitalized Lease Obligation" shall mean any rental obligation which under GAAP would be required to be capitalized on the books of the Borrower or any of its Subsidiaries, taken at the amount thereof accounted for as indebtedness (net of interest expense) in accordance with such principles.

1.13 "Cash Equivalents" shall have the meaning set forth in Section 7.22(iii).

1.14 "CERCLA" shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., as the same may be amended from time to time, together with all regulations and rulings promulgated with respect thereto.

1.15 "Closing Date" shall mean the effective date of this Agreement.

1.16 "Collateral" shall have the meaning assigned to that term in the Security Documents.

1.17 "Collateral Agent" shall mean Wilmington Trust Company, a Delaware trust company, in its capacity as collateral agent under the Intercreditor and Agency Agreement among the Note Purchasers, the Agent and the Collateral Agent dated as of even date herewith ("Intercreditor Agreement"), as well as its successors and assigns in such capacity under Section 11 thereof.

1.18 "Commitments" shall mean the Revolving Working Capital Facility and the Acquisition Facility.

1.19 "Common Units" shall have the meaning ascribed thereto in the Registration Agreement and the Note Purchase Agreement.

1.20 "Consolidated EBITDA" shall mean, with respect to the Borrower and its Subsidiaries for any period, (1) the sum of, without duplication, the amounts for such period, taken as a single accounting period, of (a) Consolidated Net Income and (b) to the extent deducted in the determination of Consolidated Net Income, after excluding amounts attributable to minority interests in Subsidiaries and without duplication, (i) Consolidated Non-Cash Charges, (ii) Consolidated Interest Expense and (iii) Consolidated Income Tax Expense less (2) any non-cash items increasing Consolidated Net Income for such period to the extent that such items constitute reversals of a Consolidated Non-Cash Charge for a previous period and which were included in the computation of Consolidated EBITDA for such previous period pursuant to the provisions of the preceding clause (1). Consolidated EBITDA shall be calculated after giving effect, on a pro forma basis and in accordance with GAAP, to, without duplication, any Asset Sales or Asset Acquisitions (including without limitation any Asset Acquisition giving rise to the need to make such calculation as a result of the Borrower or one of its Subsidiaries incurring, assuming or otherwise being liable for Acquired Debt) occurring during the period commencing on the first day of such period to and including the date of the transaction (the "Reference Period"), as if such Asset Sale or Asset Acquisition occurred on the first day of the Reference Period. As used herein, Consolidated EBITDA shall be based upon that amount determined over the preceding 12 months (i.e., the four most recent fiscal quarters).

1.21 "Consolidated Funded Indebtedness" shall mean, as of any date of determination, the aggregate amount of Indebtedness of the Borrower and its Subsidiaries outstanding on that date and maturing in more than 12 months, including the Private Placement Notes and the Acquisition Notes (including current maturities of any such Indebtedness). Notwithstanding anything to the contrary contained herein, Consolidated Funded Indebtedness shall not include borrowings under the Revolving Credit Notes to the extent such borrowings permitted hereby.

1.22 "Debt Service" shall mean, for the applicable time period being tested, for the Borrower on a consolidated basis, an amount equal to the sum of (i) the scheduled payments of principal and interest on the Acquisition Note, including, if applicable, mandatory prepayments required thereon, (ii) interest paid on the Heritage Note, (iii) interest paid on the Revolving Credit Note, including, if applicable, mandatory prepayments required thereon, for such period and (iv) the scheduled payments of principal and interest on the Private Placement Notes.

1.23 "Default Rate" shall mean the Applicable Rate selected and in effect pursuant to the Applicable Interest Rate Options in Article V hereof and Schedule I annexed hereto plus four percentage points (4%) per annum, but in no event in excess of the rate permitted by applicable law.

1.24 "Environmental Laws" shall mean Laws, including without limitation federal, state or local Laws, ordinances, rules, regulations, interpretations and orders of courts or administrative agencies or authorities relating to pollution or protection of the environment

(including, without limitation, ambient air, surface water, groundwater, land surface and subsurface strata), including without limitation CERCLA, SARA, RCRA, HSWA, HMTA, TSCA and other Laws relating to (i) Polluting Substances or (ii) the manufacture, processing, distribution, use, treatment, handling, storage, disposal or transportation of Polluting Substances.

1.25 "ERISA" shall mean the Federal Employee Retirement Income Security Act of 1974, as amended, together with all regulations and rulings promulgated with respect thereto.

1.26 "Event of Default" shall mean any of the events specified in Section 10.1 of this Agreement, and "Default" shall mean any event, which together with any lapse of time or giving of any requisite notice, or both, would constitute an Event of Default.

1.27 "Financial Statement Delivery Date" means the date on which the quarterly or annual financial statements of the Borrower are to be delivered pursuant to Section 7.6(a) or Section 7.6(b), as the case may be.

1.28 "GAAP" shall mean generally accepted accounting principles in effect in the United States at the time of application thereof and applied on a consistent basis in all material respects to those applied in the preceding period, unless the Borrower's outside accountants reasonably determine that there should be a different application based upon relevant accepted Financial Accounting Standards. Unless otherwise indicated herein or in the Note Purchase Agreement, all accounting terms will be defined according to GAAP.

1.29 "General Partner" shall mean Heritage in its capacity as the General Partner of the Borrower.

1.30 "Hazardous Materials"

1.31 "Hereby", "herein", "hereof", "hereunder" and similar such terms shall mean and refer to this Agreement as a whole and not merely to the specific section, paragraph or clause in which the respective word appears.

1.32 "Heritage" means Heritage Holdings, Inc., a Delaware corporation, the general partner of the Borrower.

1.33 "Heritage Propane" shall mean Heritage Propane Partners, L.P., a Delaware limited partnership.

1.34 "HMTA" shall mean the Hazardous Materials Transportation Act, as amended, together with all regulations and rulings promulgated with respect thereto.

1.35 "HSWA" shall mean the Hazardous and Solid Waste Amendments of 1984, as amended, together with all regulations and rulings promulgated with respect thereto.

1.36 "Indebtedness" shall mean and include any and all: (i) indebtedness, obligations and liabilities of the Borrower to the Banks incurred or which may be incurred or purportedly incurred hereafter pursuant to the terms of this Agreement or any of the other Loan Documents, and any replacements, amendments, extensions, renewals, substitutions, amendments and increases in amount thereof, including such amounts as may be evidenced by the Notes and all lawful interest, late charges, loan closing fees, service fees, origination/facility fees, commitment

fees, fees in lieu of balances, letter of credit processing and issuance fees and other charges, and all reasonable costs and expenses incurred in connection with the preparation, filing and recording of the Loan Documents, including reasonable attorneys fees and legal expenses; (ii) all reasonable costs and expenses paid or incurred by the Banks and/or the Agent or the Collateral Agent, including reasonable attorneys fees, in enforcing or attempting to enforce collection of any Indebtedness and in enforcing or realizing upon or attempting to enforce or realize upon any collateral or security for any Indebtedness, including interest on all sums so expended by the Banks and/or the Agent or the Collateral Agent accruing from the date upon which such expenditures are made until paid, at an annual rate equal to the Default Rate; (iii) all sums expended by the Banks and/or the Agent or the Collateral Agent in curing any Event of Default or Default of the Borrower under the terms of this Agreement, the other Loan Documents or any other writing evidencing or securing the payment of the Notes together with interest on all sums so expended by the Banks and/or the Agent or the Collateral Agent accruing from the date upon which such expenditures are made until paid, at an annual rate equal to the Default Rate; and (iv) indebtedness, obligations and liabilities of the Borrower arising out of the Note Agreement including, without limitation, that evidenced by the Private Placement Notes.

1.37 "Investment" shall mean, 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). For the purposes of Section 7.22(v), the amount involved in Investments made during any period shall be the aggregate cost to the Borrower and its Restricted Subsidiaries of all such Investments made during such period, determined in accordance with GAAP, but without regard to unrealized increases or decreases in value, or write- ups, write-downs or write-offs, of such Investments and without regard to the existence of any undistributed earnings or accrued interest with respect thereto accrued after the respective dates on which such Investments were made, less any net return of capital realized during such period upon the sale, repayment or other liquidation of such Investments (determined in accordance with GAAP, but without regard to any amounts received during such period as earnings (in the form of dividends not constituting a return of capital, interest or otherwise) on such Investments or as loans from any Person in whom such Investments have been made).

1.38 "Issuing Bank" means the Bank that issues Letters of Credit under this Agreement, which on the Closing Date will be BOk; provided, however, in the event BOk does not for any reason issue a requested Letter of Credit, another Bank designated by the Agent to issue such Letter of Credit in accordance with Section 2.6.

1.39 "Laws" shall mean all statutes, laws, ordinances, regulations, orders, writs, injunctions, or decrees of the United States, any state or commonwealth, any municipality, any foreign country, any territory or possession, or any Tribunal.

1.40 "Letters of Credit" shall mean any and all standby letters of credit issued by the Agent (on behalf of the Banks) in accordance with Sections 2.6 and 11.4.2 hereof pursuant to the request of the Borrower in accordance with the provisions of Section 2.2 hereof which at any time remain outstanding and subject to draw by the beneficiary, whether in whole or in part.

1.41 "Lien" shall mean any chattel mortgage, pledge, security interest, assignment, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement or other similar form of public notice under the Laws of any jurisdiction).

1.42 "Letter of Credit Exposure" means, for any Letter of Credit, the Issuing Bank or, in the event the Issuing Bank does not for any reason issue a requested Letter of Credit, another Bank designated by the Agent in accordance with Article X hereof to issue such Letter of Credit in accordance with Section 2.6.

1.43 "Loan Documents" shall mean this Agreement, the Notes, the Security Documents and all other documents, instruments and certificates executed and delivered to the Banks by the Borrower thereof pursuant to the terms of this Agreement.

1.44 "Loans" shall mean all advances made and standby letters of credit draws funded hereunder pursuant to either of the Commitments, including all sums evidenced by the Notes.

1.45 "Memorandum" shall mean the Private Placement Memorandum dated May, 1996, prepared by Prudential Securities for use in connection with the Borrower's private placement of the proposed issuance of the Private Placement Notes.

1.46 "Note Purchase Agreement" shall mean that certain Note Purchase Agreement between Heritage, Borrower and the Purchasers named in the Purchaser Schedule annexed as Schedule I thereto dated as of June __, 1996 (the "Purchasers").

1.47 "Notes" shall mean the Revolving Credit Notes and the Acquisition Notes.

1.48 "Officers Certificate"

1.49 "PBGC"

1.50 "PUHCA"

1.51 "Partnership Documents"

1.52 "Permits"

1.53 "Person" shall mean and include an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an unincorporated organization and a government or any department, agency or political subdivision thereof.

1.54 "Polluting Substances" shall mean all pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes and shall include, without limitation, any flammable explosives, radioactive materials, propane, hazardous materials, hazardous or solid wastes, hazardous or toxic substances or related materials defined in CERCLA/SARA, RCRA/HSWA and in the HMTA; provided, in the event either CERCLA/SARA, RCRA/HSWA or HMTA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment and, provided further, to the extent that the Laws of any State or other Tribunal establish a meaning for "hazardous substance, "hazardous waste," "hazardous material," "solid waste" or "toxic substance" which is broader than that specified in CERCLA/SARA, RCRA/HSWA, or HMTA, such broader meaning shall apply.

1.55 "Potential Heritage Debt" shall mean indebtedness that the Banks, in their sole discretion, may elect to extend to Heritage after the Closing Date and not secured by the Collateral or any other assets of the Borrower, it being acknowledged and stipulated by Borrower that none of the Banks, severally and/or jointly, have committed directly or indirectly to extend any such credit facility or loan to Heritage in any manner.

1.56 "Priority Debt" shall mean as of any date of determination, the sum, without duplication, of (i) Indebtedness of the Subsidiaries of the Borrower (other than Indebtedness owed to the Borrower or another Wholly-Owned Subsidiary), plus (ii) Indebtedness of the Borrower and its Subsidiaries secured by Liens permitted by clauses (i) and (vii) of Section 7.20 and any renewals of such Liens permitted by clause (xiv) of Section 7.20.

1.57 "Private Placement Notes" shall mean the $120,000,000 senior secured notes issued pursuant to the Memorandum, sold to the Purchasers and described and defined in the Note Purchase Agreement as the "Notes".

1.58 "RCRA" shall mean the Resource Conservation and Recovery Act of 1976, as amended, together with all regulations and rulings promulgated with respect thereto.

1.59 "Registration Statement" shall mean Amendment No. 1 to the Registration Statement on Form S-1 of the Partnership (Registration No. 333-4018) filed with the Securities and Exchange Commission (the "Commission") on June 4, 1996, in the form when declared effective by the Commission and as amended on or prior to the date of this Agreement.

1.60 "Required Banks" means, with respect to any approval, consent, modification, waiver or other action to be taken by the Agent or the Banks under the Loan Documents which require action by the Required Banks, such Banks owning at least a majority of the Percentage Interests; provided, however, that with respect to any matters referred to in the proviso to Section 10.6, Required Banks means such Banks that own at least the respective portions of the Percentage Interests required by Section 10.6.

1.61 "Required Holders" shall mean the holder or holders of at least 51% of the aggregate principal amount of the Private Placement Notes from time to time outstanding.

1.62 "Restricted Payment" shall mean any payment or other distribution, direct or indirect, in respect of any partnership or other equity interest in the Borrower, except a distribution payable solely in additional partnership or other equity interests in the Borrower, and any payment, direct or indirect on account of the redemption, retirement, purchase or other acquisition of any partnership or other equity interest in the Borrower.

1.63 "Revolving Credit Loans" shall mean the advances to the Borrower described and defined in Section 2.1 of this Agreement, including the sum of any unfunded, outstanding Letters of Credit issued pursuant to Section 2.6

1.64 "Revolving Credit Notes" shall mean the Borrower's revolving credit notes in the aggregate original principal amount of $14,000,000 in the form of Exhibits A-1, A-2 and A-3, respectively, annexed to this Agreement, to be delivered to the order of the respective Banks pursuant to Section 2.2 hereof, together with any and all extensions, renewals, modifications, substitutions and changes in form of any thereof which may be from time to time and for any term or terms effected.

1.65 "Revolving Working Capital Facility" shall mean the agreement of the Banks to make Revolving Credit Loans to the Borrower under Article II of this Agreement, and pursuant to the terms and conditions hereof, from the Closing Date until June 30, 1999, or such later date as the Banks may extend the Revolving Working Capital Facility by an extension in writing, unless earlier terminated pursuant to the terms hereof.

1.66 "SARA" shall mean the Superfund Amendments and Reauthorization Act of 1987, as amended, together with all regulations and rulings promulgated with respect thereto.

1.67 "Security Agreement" shall mean the Security Agreement and Assignment dated as of even date herewith from the Borrower and Heritage, as debtors and assignors, to the Collateral Agent, for the benefit of the Banks and the Purchasers of the Private Placement Notes pursuant to the Note Purchase Agreement, as secured parties, encumbering the Collateral described therein and covered thereby.

1.68 "Security Documents" shall mean the Security Agreement, the Pledge Agreement, the Financing Statements and all other financing statements, assignments, security agreements, pledges, negative pledges, lien entry forms, documents or writings and any and all amendments and supplements thereto, granting, conveying, pledging, assigning, transferring or in any manner providing the Collateral Agent with a security interest or pledge in any property as security for the repayment of all or any part of the Indebtedness (including without limitation the Notes).

1.69 "Subsidiary" shall mean, with respect to any Person, any corporation, limited liability company, partnership, joint venture, association, trust or other entity of which (or in which) more than 50% of (a) the issued and outstanding Capital Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time Capital Stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interests in the capital or profits of such partnership, limited liability company, joint venture or association with ordinary voting power to elect a majority of the board of directors (or Persons performing similar functions) of such partnership, limited liability company, joint venture or association, or (c) the beneficial interests in such trust or other entity with ordinary voting power to elect a majority of the board of trustees (or Persons performing similar functions) of such trust or other entity, is at the time

directly or indirectly owned or controlled by such Person, and one or more of its other Subsidiaries, or by one or more of such Person's other Subsidiaries.

1.70 "Taxes" shall mean all taxes, assessments, fees, or other charges or levies from time to time or at any time imposed by any Laws or by any Tribunal.

1.71 "Tribunal" shall mean any municipal, state, commonwealth, Federal, foreign, territorial or other sovereign, governmental entity, governmental department, court, commission, board, bureau, agency or instrumentality.

1.72 "TSCA" shall mean the Toxic Substances Control Act, as amended, together with all regulations and rulings promulgated with respect thereto.

1.73 "UCP" means the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce, Publication No. 500 (and any subsequent revisions thereof approved by a Congress of the International Chamber of Commerce and adhered to by the Issuing Bank).

1.74 "Unused Proceeds Reserve" shall mean, as of any date of determination, all amounts theretofore offered to prepay Parity Debt under Section 8.24(iii)(c)(II) and to prepay Private Placement Notes, the prepayment of which was declined by the applicable Purchaser, less the portion of such amounts theretofore applied by the Borrower to operations or capital expenditures in connection with the conduct of the Borrower's business.

1.75 "Wholly-Owned" shall mean as applied to any Subsidiary of any Person, a Subsidiary at least 98% (by vote or value) of the outstanding Equity Interests (other than directors' qualifying shares, if required by law) of all classes, taken together as a whole, of which are at the time owned by such Person or by one or more of its Wholly-Owned Subsidiaries or by such Person and one or more of its Wholly-Owned Subsidiaries.

All defined terms used herein that are not otherwise defined herein shall have the meanings ascribed thereto in the Note Purchase Agreement; provided, however, amendments to or modifications of the Note Purchase Agreement subsequent to the Closing Date shall not change or amend the meaning of such therein defined terms insofar as the meaning thereof as ascribed to or contemplated hereby without the written consent of the Banks.

ARTICLE II

REVOLVING CREDIT LOANS

2.1 Revolving Credit Loans. The Banks agree, upon the provisions and subject to the terms and conditions hereinafter set forth, to severally make loans ("Revolving Credit Loans") in accordance with their respective Percentage Interests of the Revolving Working Capital Facility to the Borrower from the Closing Date until June 30, 1999, in writing unless the Revolving Working Capital Facility shall be sooner terminated pursuant to the provisions of this Agreement, in such aggregate amounts as may from time to time be requested by the Borrower so long as the aggregate outstanding principal amount of all Revolving Credit Loans under the Revolving Credit Notes plus the unfunded portions of outstanding standby Letters of Credit issued pursuant to Section 2.6 hereof do not at any time exceed $14,000,000.

2.2 Revolving Credit Notes. On the Closing Date, the Borrower shall execute and deliver to the order of the Banks the Borrower's separate Revolving Credit Notes in the aggregate original principal amount of $14,000,000, the forms of which are annexed hereto as Exhibits A-1

(BOK), A-2 (Bank One) and A-3 (Mercantile) and hereby made a part hereof (hereinafter collectively referred to as "Revolving Credit Notes"). The Revolving Credit Notes shall be dated as of the Closing Date, and shall bear interest payable on unpaid balances of principal from time to time outstanding and on any past due interest at a variable annual rate equal from day to day to the Applicable Interest Rate Options selected by the Borrower as described on Schedule I annexed hereto, adjustable as of the end of each calendar quarter, commencing September 30, 1997, to the applicable Level described on Schedule I on the Financial Statement Delivery Date but in no event at a rate which is greater than permitted by applicable law. After maturity (whether by acceleration or otherwise) the Revolving Credit Notes shall bear interest at the Default Rate, payable on demand. Interest shall be calculated on the basis of a year of 365 or 366 days, as the case may be, but assessed for the actual number of days elapsed. The Revolving Credit Loan(s) shall be deemed owed to each Bank severally in accordance with such Bank's Percentage Interest, and all payments credited to the Revolving Credit Notes shall be for the account of each Bank in accordance with its Percentage Interest.

2.3 Revolving Credit Advances, Payments and Mandatory/Voluntary Prepayment. Each Revolving Credit Loan requested by the Borrower from the Banks shall (i) be requested in writing by the Borrower pursuant to a Loan Advance Request, the form of which is annexed hereto as Exhibit B, delivered to the Agent's main banking office in Tulsa, Oklahoma (via personal delivery or facsimile) no later than 11:00 a.m. (applicable current time in Tulsa, Oklahoma) on the Business Day on which the advance is to be made; (ii) be in the amount of $50,000 or an integral multiple thereof (unless the amount then available to borrow is less than $50,000, in which event an advance may be made in the amount available); (iii) not cause the aggregate outstanding and unpaid principal amount of the Revolving Credit Notes to exceed $14,000,000 plus the unfunded portion(s) of all outstanding letters of credit issued by the Agent as Issuing Bank under the Revolving Working Capital Facility; and (iv) be advanced severally by the Banks on the applicable advance request date, provided the Loan Advance Request is timely made in accordance with Section 2.3(i) hereof and all other conditions of funding are met. All such advances made severally by the Banks shall, for mutual convenience, be deposited to the Borrower's general deposit account No. _________ with the Agent (the "General Account"), and neither the Agent nor the Banks shall have any responsibility to monitor the distribution of such advances in any other or further respect.

The Borrower may from time to time make prepayments of principal in whole or in part in multiples of $100,000 at any time or from time to time without premium or penalty. The Borrower may reborrow subject to the limitations and conditions for Revolving Credit Loans contained herein. All advances made severally by the Banks on the Revolving Credit Notes and all payments or prepayments of principal and interest thereon made by the Borrower shall be recorded by each Bank in its records, and the aggregate unpaid principal amount so recorded shall be presumptive evidence of the principal amounts owing and unpaid on the Revolving Credit Notes. The failure to so record shall not, however, limit or otherwise affect the obligations of the Borrower hereunder or under the Revolving Credit Note to repay the principal amount of each Revolving Credit Loan together with all interest accrued thereon. If additional lines or blanks shall be needed for the purpose of recording advances or payments on the schedule, one or more additional schedules may be annexed to the respective Revolving Credit Notes and shall become a part thereof. All payments and prepayments shall be made in lawful money of the United States of America. Any payments or prepayments on the Revolving Credit Notes received by the Agent after 12:00 noon (applicable current time in Tulsa, Oklahoma) shall be deemed to have been made on the next succeeding Business Day. All outstanding principal of and accrued interest on the Revolving Credit Notes not previously paid hereunder shall be due and payable at final maturity on June 30, 1999, unless such maturity shall be extended by the Banks in writing or accelerated pursuant to the terms hereof.

At least once during each fiscal year of the Borrower, commencing with its fiscal year ending August 31, 1997, the Borrower shall cause the Revolving Working Capital Facility to be fully rested (i.e., paid to a zero balance) for thirty (30) consecutive days.

2.4 Maximum Revolving Credit Loans. The Borrower will not request, nor will it accept, the proceeds of any Revolving Credit Loans or advances under the Revolving Credit Notes at any time when (i) the amount thereof, together with the aggregate unpaid principal amount of the Revolving Credit Notes plus all unfunded portion(s) of unfunded Letters of Credit, exceeds $14,000,000 subject to automatic reduction of the Revolving Working Capital Facility by an amount equal to the application(s) of Excess Sales Proceeds as a contingent prepayment pursuant to Sections 4.6 and 4.7 hereof against the Revolving Credit Notes (but only after application of such Excess Sales Proceeds in payment in full of the outstanding balances of the Acquisition Notes) or (ii) the sum of the aggregate principal amount outstanding on the Acquisition Notes exceeds $35,000,000.

2.5 Commitment Fees. From the Closing Date until the Revolving Working Capital Facility is terminated, the Borrower shall pay to the Banks, as a commitment fee for the Revolving Working Capital Facility, a per annum amount equal to the Applicable Commitment Fee Percentage as described on Schedule I annexed hereto (initially 0.50% per annum from the Closing Date through June 30, 1997) of the amount by which $14,000,000 exceeds the average of the sum of (i) aggregate outstanding unpaid principal balance of the Revolving Credit Notes plus (ii) the unfunded portion(s) of all outstanding Letters of Credit issued by the Issuing Bank under the Revolving Working Capital Facility from time to time computed daily on the basis of a calendar year of 360 days but assessed for the actual number of days elapsed during each accrual period. Such commitment fee shall be payable quarterly in arrears as the same accrues on the fifteenth (15th) day after the end of each quarter-annual period ending March 31, June 30, September 30 and December 31 of each year, commencing July 15, 1996, through and including July 15, 1997 (insofar as the quarter ending June 30, 1997 is concerned) and thereafter, the minimum commitment fee due on the Revolving Working Capital Facility (0.375%) as calculated pursuant to this Section 2.5 shall continue to be payable on the 15th day of the month next succeeding the end of the applicable fiscal quarter (commencing October 15, 1997 for the fiscal quarter ending September 30, 1997) with any additional commitment fee in excess of 0.375% due pursuant to Schedule I hereto being payable within five (5) days of the Financial Statement Delivery Date effective as of the quarter ending September 30, 1997, and at the maturity date of the Revolving Credit Notes, whether by acceleration or otherwise. Not sooner than three (3) Business Days following the mailing by regular mail of notice of an intended debit, the amount of such commitment fees payable for each such quarter shall be paid by automatic debit to the General Account (as more particularly described and defined in Section 2.3 hereof) in such amount. For the purposes of Section 2.5 hereof, the Borrower hereby appoints the Agent its attorney-in-fact for the execution and performance of such debits, and hereby absolves the Agent and Banks of any loss or negligence arising by virtue of Agent's exercise of such power, except for gross negligence or willful misconduct. Said power shall be deemed a power coupled with an interest and shall be irrevocable.

2.6.1 Letters of Credit. Upon the Borrower's written application from time to time by use of Issuing Bank's standard form Letter of Credit Application Agreement and subject to the terms and provisions therein and herein set forth, the Issuing Bank agrees to issue standby Letters of Credit on behalf of the Borrower under the Revolving Working Capital Facility to fund Borrower's short-term working capital requirements and general and administrative needs of the Borrower and its Subsidiaries, provided that (i) any standby Letters of Credit be issued on behalf of or on the account of Borrower with an expiry date later than June 30, 1999, will, at the Banks' sole option, be fully secured and collateralized by cash or Cash Equivalent acceptable to the Banks in their sole discretion and held by the Issuing Bank from and after maturity on June 30, 1999,

until expiration or cancellation of such Letter(s) of Credit or payment of all draws thereon on demand of the Issuing Bank, (ii) no letter of credit will be issued on behalf of or for the account of the Borrower if at the time of issuance the outstanding amount of all unpaid Revolving Credit Loans (including the aggregate outstanding and unfunded amount of unexpired Letters of Credit) under the Revolving Working Capital Facility as evidenced by the Revolving Credit Notes plus the maximum amount of such letter of credit then being requested would exceed $14,000,000 and (iii) each Letter of Credit issued on the Borrower's behalf in support of propane purchases thereby shall contain language acceptable to the Issuing Bank pertaining to automatic cancellation/reduction, as applicable, contemporaneous with payment via wire transfer to the propane seller. If any Letter of Credit is drawn upon at any time, each amount drawn, whether a full or partial draw thereon, shall be paid by wire transfer and reflected by the Issuing Bank as an advance on the Revolving Credit Note effective as of the date of the Issuing Bank's honoring the sight draft and such Letter of Credit shall be cancelled immediately upon such wire transfer. In consideration of the Issuing Bank's agreement to issue standby Letters of Credit hereunder, the Borrower agrees to pay to the Issuing Bank its normal standby letter of credit application and processing fees (concerning which the Percentage Interests Banks shall not be applicable) together with letter of credit issuance fees equal to one and one-half percent (1.5%) per annum on the face amount of each standby Letter of Credit, which such fees shall be due and payable to the Issuing Bank at the time of issuance of each applicable standby Letter of Credit and shall be paid by automatic debit in such amount to the General Account, not sooner than three (3) Business Days following the mailing by regular mail of notice of such intended debit.

2.6.2 Form and Expiration of Letters of Credit. Each Letter of Credit issued under this Section 2.6 and each draft accepted or paid under such a Letter of Credit shall be issued, accepted or paid, as the case may be, by the Issuing Bank at its principal banking office. Each Letter of Credit and each draft accepted under a Letter of Credit shall be in such form and minimum amount, and shall contain such terms, as the Issuing Bank and the Borrower may agree upon at the time such Letter of Credit is issued, including a requirement of not less than three (3) Banking Days after presentation of a draft before payment must be made thereunder.

2.6.3 Banks' Participation in Letters of Credit. Upon the issuance of any Letter of Credit, a participation therein, in an amount equal to each Bank's Percentage Interest, shall automatically be deemed granted by the Issuing Bank to each Bank on the date of such issuance and the Banks shall automatically be obligated, as set forth in Section 10.4, to reimburse the Issuing Bank to the extent of their respective Percentage Interests for all obligations incurred by the Issuing Bank to third parties in respect of such Letter of Credit not reimbursed by the Borrower. The Issuing Bank will send to each Bank (and the Agent if the Issuing Bank is not the Agent) a confirmation regarding the participations in Issuing Bank outstanding during such month.

2.6.4 Presentation. The Issuing Bank shall accept or pay any draft presented to it, regardless of when drawn and whether or not negotiated, if such draft, the other required documents and any transmittal advice are presented to the Issuing Bank and dated on or before the expiration date of the Letter of Credit under which such draft is drawn. Except insofar as instructions actually received may be given by the Company in writing expressly to the contrary with regard to, and prior to, the Issuing Bank's issuance of any Letter of Credit for the account of the Borrower and such contrary instructions are reflected in such Letter of Credit, the Issuing Bank may honor as complying with the terms of the Letter of Credit and with this Agreement any drafts or other documents otherwise in order signed or issued by an administrator, executor, conservator, trustee in bankruptcy, debtor in possession, assignee for benefit of creditors, liquidator, receiver or other legal representative of the party authorized under such Letter of Credit to draw or issue such drafts or other documents.

2.6.5 Uniform Customs and Practice. The Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, and any subsequent revisions thereof approved by a Congress of the International Chamber of Commerce and adhered to by the Issuing Bank (the "UCP"), shall be binding on the Borrower and the Issuing Bank except to the extent otherwise provided herein, in any Letter of Credit or in any other Document. Anything in the UCP to the contrary notwithstanding:

(a) Neither the Borrower nor any beneficiary of any Letter of Credit shall be deemed an agent of any Issuing Bank.

(b) With respect to each Letter of Credit, except as otherwise required by Law, neither the Issuing Bank nor its correspondents shall be responsible for or shall have any duty to ascertain:

(i) the genuineness of any signature;

(ii) the validity, form, sufficiency, accuracy, genuineness or legal effect of any endorsements;

(iii) delay in giving, or failure to give, notice of arrival, notice of refusal of documents or of discrepancies in respect of which any Issuing Bank refuses the documents or any other notice, demand or protest;

(iv) the performance by any beneficiary under any Letter of Credit of such beneficiary's obligations to the Borrower;

(v) inaccuracy in any notice received by the Issuing Bank;

(vi) the validity, form, sufficiency, accuracy, genuineness or legal effect of any instrument, draft, certificate or other document required by such Letter of Credit to be presented before payment of a draft, or the office held by or the authority of any Person signing any of the same; or

(vii) failure of any instrument to bear any reference or adequate reference to such Letter of Credit, or failure of any Person to note the amount of any instrument on the reverse of such Letter of Credit or to surrender such Letter of Credit or to forward documents in the manner required by such Letter of Credit.

(c) Except as otherwise required by Law, the occurrence of any of the events referred to in the UCP or in the preceding clauses of this Section 2.6.5 shall not affect or prevent the vesting of any of the Issuing Bank's rights or powers hereunder or the Borrower's obligation to make reimbursement of amounts paid under any Letter of Credit or any draft accepted thereunder.

(d) The Borrower will promptly examine (i) each Letter of Credit (and any amendments thereof) sent to it by the Issuing Bank and (ii) all instruments and documents delivered to it from time to time by the Issuing Bank. The Borrower will notify the Issuing Bank of any claim of noncompliance by notice actually received within three (3) Business Days after receipt of any of the foregoing documents, the Borrower being presumptively deemed to have waived any such claim against such Issuing Bank and its correspondents unless such notice is given. The Issuing Bank shall have no obligation

or responsibility to send any such Letter of Credit or any such instrument or document to the Borrower.

(e) In the event of any conflict between the provisions of this Agreement and the UCP, the provisions of this Agreement shall govern.

2.6.7 Subrogation. Upon any payment by a Issuing Bank under any Letter of Credit and until the reimbursement of such Issuing Bank by the Borrower with respect to such payment, the Issuing Bank shall be entitled to be subrogated to, and to acquire and retain, the rights which the Person to whom such payment is made may have against the Company, all for the benefit of the Banks. The Borrower will take such action as the Issuing Bank may reasonably request, including requiring the beneficiary of any Letter of Credit to execute such documents as the Issuing Bank may reasonably request, to assure and confirm to the Letter of Credit Issuer such subrogation and such rights, including the rights, if any, of the beneficiary to whom such payment is made in accounts receivable, inventory and other properties and assets of Borrower.

ARTICLE III

ACQUISITION LOANS

3.1 Acquisition Loans. The Banks agree, upon the provisions and subject to the terms and conditions hereinafter set forth, to severally make loans (the "Acquisition Loans") to the Borrower in accordance with their respective Percentage Interests from time to time on or after the Closing Date in an aggregate outstanding principal amount not in excess of $35,000,000 minus the sum of (i) outstanding principal balance on the Potential Heritage Debt, if any, plus (ii) automatic reduction of the Acquisition Facility by an amount equal to the application of Excess Sales Proceeds pursuant to Sections 4.6 and 4.7 hereof against the Acquisition Notes (prior to application of any such Excess Sales Proceeds against the outstanding balance of the Revolving Credit Notes). The aggregate unpaid principal balance of the Acquisition Loans is convertible to a thirty (30) month term loan on December 31, 1998 (the "Conversion Date") in an amount equal to the lesser of (x) the maximum unpaid aggregate principal amount of the Acquisition Notes on the Conversion Date or the remainder of (y) $35,000,000 minus the outstanding principal balance of the Potential Heritage Debt, if any. Each Acquisition Loan requested by the Borrower from the Banks from the Closing Date until December 31, 1998, shall (i) be requested in writing by the Borrower pursuant to an Acquisition Loan Advance Request (in addition to and not in lieu of the Acquisition Due Diligence Packet(s) described in the next succeeding paragraph), the form of which is annexed hereto as Exhibit C and delivered to the Agent, no later than 12:00 noon (applicable current time in Tulsa, Oklahoma) at least five (5) Business Days prior to the date upon which the requested Acquisition Loan advance is to be made; (ii) be in the amount of $50,000 or an integral multiple thereof (unless the amount then available to borrow is less than $50,000, in which event an advance may be made in the amount available); (iii) not cause the aggregate outstanding and unpaid aggregate principal amount of the Acquisition Notes to exceed the remainder of $35,000,000 less the principal amount outstanding on the Potential Heritage Debt, if any; and (iv) be advanced severally by the Banks on the applicable advance request date, provided the Acquisition Loan Advance Request is timely made in accordance with Section 3.1(i) hereof and all other conditions of funding are met. All advances made severally by the Banks shall, for mutual convenience, be deposited to the General Account and neither the Agent nor the Banks shall have any responsibility to monitor the distribution of such advances in any other or further respect. The Borrower may borrow, repay and reborrow under the Acquisition Facility subject to the limitations and conditions for Acquisition Loans contained herein. All advances made severally by the Banks on the Acquisition Notes and all payments or prepayments of principal and interest thereon made by the Borrower shall be recorded by the Bank in its records,

and the aggregate unpaid principal amount so recorded shall be presumptive evidence of the principal amount owing and unpaid on the Acquisition Notes. The failure to so record shall not, however, limit or otherwise affect the obligations of the Borrower hereunder or under the Acquisition Notes to repay the principal amount of each Acquisition Loan together with all interest accrued thereon. If additional lines or blanks shall be needed for the purpose of recording advances or payments on the schedule, one or more additional schedules may be annexed to the respective Acquisition Notes and shall become a part thereof.

Each Acquisition Loan Advance Request shall be accompanied by (i) a memorandum from the Chief Financial Officer of Borrower's general partner summarizing the proposed acquisition, (ii) a complete copy of the signed letter of intent (with all exhibits or schedules thereto to the extent available, (iii) a full and complete copy of the Borrower's internal acquisition model (in general form, content and detail as utilized by the General Partner or its Affiliates for similar acquisitions prior to the Closing Date and (iv) a full, completed copy of the confidential business questionnaire in the general form as utilized by Heritage or its Affiliates prior to the Closing Date (collectively the "Acquisition Due Diligence Packet").

3.2 Acquisition Notes. On the Closing Date the Borrower shall execute and deliver to the order of the Banks the Borrower's separate promissory notes in the aggregate original principal amount of $35,000,000, the forms of which are annexed hereto as Exhibits D-1 (BOK), D-2 (Bank One) and D-3 (Mercantile) and hereby made a part hereof (hereinafter collectively referred to as the "Acquisition Notes"). The Acquisition Notes shall be dated as of the Closing Date, shall provide for monthly or quarterly interest payments due based on the Applicable Interest Rate Option as described in Schedule I annexed hereto and selected by the Borrower in accordance with the terms and provisions hereof. The unpaid and outstanding principal balance of the Acquisition Notes less the principal amount outstanding on the Potential Heritage Debt, if any, shall be converted on the Conversion Date (December 31, 1998) to term loans payable in nine (9) consecutive quarterly principal payments each equal to one-tenth (1/10th) of the maximum convertible amount payable on the last day of each calendar quarter commencing March 31, 1999, with the remaining principal payable at final maturity on June 30, 2001. The Acquisition Notes shall bear interest based at Applicable Interest Rate Option selected by the Borrower in accordance with the terms and provisions of Schedule I annexed hereto, adjustable as of the end of each calendar quarter, commencing September 30, 1997, to the applicable Level described on Schedule I on the Financial Statement Delivery Date and hereof on unpaid balances of principal from time to time outstanding and on any past due interest, but in no event at a rate greater than permitted by applicable law. All payments received shall be applied first to accrued interest and then to the outstanding principal amounts owing on the Acquisition Notes in accordance with each Bank's Percentage Interest. The Borrower may from time to time make prepayments of principal in whole or in part in multiples of $100,000 at any time or from time to time without premium or penalty. The Borrower may reborrow any amounts paid or prepaid on the Acquisition Note until the Conversion Date. All payments and prepayments shall be made in lawful money of the United States of America. Any payments or prepayments on the Acquisition Notes received by the Agent after 12:00 noon (applicable current time in Tulsa, Oklahoma) shall be deemed to have been made on the next succeeding Business Day. All outstanding principal of and unpaid accrued interest on the Acquisition Notes not previously paid hereunder shall be due and payable at final maturity on June 30, 2001. After maturity (whether by acceleration or otherwise) the Acquisition Notes shall bear interest at the Default Rate, payable on demand. Interest shall be calculated on the basis of a year of 365 or 366 days, as the case may be, but assessed for the actual number of days elapsed in each accrual period. Each Acquisition Loan shall be deemed owed to each Bank severally, in accordance with such Bank's Percentage Interest thereof and all payments credited to the Acquisition Notes shall be for the account of each Bank in accordance with its Percentage Interest.

3.3 Proceeds of Acquisition Loans. Proceeds of the Acquisition Loans shall be used only for the purposes of (i) funding asset acquisitions of retail propane businesses as submitted to the Agent in writing in reasonable detail and in compliance with the provisions of Section 3.1 above including without limitation, timely submission of the Acquisition Due Diligence Packet, reviewed and approved by the Banks and (ii) funding the Borrower's future internal growth capital expenditure needs disclosed in advance in reasonable written detail to Bank.

3.4 Loan Origination Fee. The Borrower shall pay to the Banks an Acquisition Loans' loan origination fee of $350,000, all of which shall be paid prior to or contemporaneously with the Closing Date.

3.5 Commitment Fees. From the Closing Date until the Conversion Date (December 31, 1998), the Borrower shall pay to the Banks, as a commitment fee for the Acquisition Facility, a per annum amount equal to the Applicable Commitment Fee Percentage as described on Schedule I annexed hereto (initially 0.50% per annum from the Closing Date through June 30, 1997) of the amount by which $35,000,000 exceeds the average outstanding unpaid aggregate principal balance of the Acquisition Notes from time to time computed daily on the basis of a calendar year of 360 days but assessed for the actual number of days elapsed during each accrual period. Such commitment fee shall be payable quarterly in arrears as the same accrues on the fifteenth (15th) day after the end of each quarter-annual period ending March 31, June 30, September 30 and December 31 of each year, commencing July 15, 1996, through and including July 15, 1997 (insofar as the quarter ending June 30, 1997 is concerned) and thereafter the minimum commitment fee due on the Acquisition Facility (0.375%) as calculated pursuant to this Section 3.5 shall continue to be payable on the 15th day of the month next succeeding the end of the applicable fiscal quarter (commencing October 15, 1997 for the fiscal quarter ending September 30, 1997) with any additional commitment fee in excess of 0.375% due pursuant to Schedule I hereto being payable within five (5) days of the applicable Financial Statement Delivery Date effective as of the quarter ending September 30, 1997, and at the conversion of the Acquisition Notes on the Conversion Date, whether by acceleration or otherwise. Not sooner than three (3) days following the mailing by regular mail of notice of an intended debit, the amount of such commitment fees payable for each such quarter shall be paid by automatic debit to the General Account (as more particularly described and defined in Section 2.3 hereof) in such amount. For the purposes of this Section 3.5, the Borrower hereby appoints the Agent its attorney-in-fact for the execution and performance of such debits, and hereby absolves the Agent and the Banks of any loss or negligence arising by virtue of Agent's exercise of such power, except for gross negligence or willful misconduct. Said power shall be deemed a power coupled with an interest and shall be irrevocable.

ARTICLE IV

APPLICABLE INTEREST RATE OPTIONS/PREPAYMENTS

4.1 Interest Rates; Funding Period; Transactional Amounts.

(a) Subject to the provisions hereof, the Borrower shall select one of the two (2) options described below for the Loans hereunder:

(i) Prime Rate Option. A rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be) for each day equal to the Applicable Prime Rate for such day plus the applicable Level of Prime Rate Spread set forth on Schedule I annexed hereto (initially stipulated by Borrower and the Banks to be Level III thereof from the Closing Date through June 30, 1997).

(ii) Libor-Rate Option. A rate per annum (based on a year of 360 days and actual days elapsed) in the Libor-Rate Funding Period equal to the Libor-Rate on the date of the Borrower's request for a Loan bearing interest by reference to the Libor-Rate plus the applicable Level of Libor Spread set forth on Schedule I annexed hereto (initially stipulated by Borrower and the Banks to be Level III thereof from the Closing Date through June 30, 1997). "Libor-Rate" shall mean the rate of interest (which shall be the same for each day in the Libor-Rate Funding Period selected) quoted for the "London Interbank Offered Rates (LIBOR)" category of the "Money Rates" column in the Wall Street Journal (Southwest Edition) on such day (or, if no Wall Street Journal is published on such day, the next previous publication date thereof) as the average of quotations at three (3) major New York money center banks for the selected Libor-Rate Funding Periods available hereunder for the Libor-Rate Option two (2) London Business Days prior to the first day of such Libor-Rate Funding Period.

The Agent shall give prompt notice to the Borrower of the Libor-Rate so determined, which determination shall be presumptive if made in good faith. If the Wall Street Journal shall cease to publish such Libor-Rate quotations, the Agent shall determine such rates as the average of such Libor-Rate quotations of three (3) major New York money center banks of whom the Agent shall inquire.

At the end of each Libor-Rate Funding Period, the Borrower may either: (i) repay all outstanding balances of principal and interest; or (ii) select the Prime Rate Option or Libor-Rate Option as described in (i) or (ii) above to apply to the outstanding principal balance of the applicable Notes. The Libor-Rate Funding Period shall continue until the end of the 30 or 90 day term and any subsequent re-advances would remain at the Libor-Rate Option, if any, in effect until the end of that applicable Libor-Rate Funding Period.

If the Prime Rate Option is selected, then at any time during the term of the applicable Loan, the applicable Borrower may notify the Agent that it wishes to convert to the Libor Rate Option. In such event, all outstanding balances of principal on the Notes shall convert to the Libor Rate Option and any subsequent advances during the selected Libor-Rate Funding Period shall accrue interest at the selected Option at the time such notice to convert was provided to the Agent.

At any one time during the term of either or both of the Commitments established pursuant to this Agreement, only one Option may be in effect.

(b) Libor-Rate Funding Periods. At any time when the Borrower shall select, convert to or renew the Libor-Rate Option to apply to the entire Loans outstanding under the Commitments, it shall fix a period of one or three months ("Libor Rate Funding Period") during which such selected Libor-Rate Option shall apply provided, that each Libor- Rate Funding Period shall begin on a London Business Day and the duration of each Libor-Rate Funding Period shall be determined in accordance with the definition of the term "Month" herein.

(c) Interest After Maturity. After the principal amount of the Loans outstanding under a Facility shall have become due (by acceleration or otherwise), such Loans shall bear interest for each day until paid (before and after judgment) at the Default Rate.

(d) Libor-Rate Unascertainable; Impracticability. If

(i) on any date on which a Libor-Rate would otherwise be set the Agent shall have in good faith determined (which determination shall be conclusive) that:

(A) adequate and reasonable means do not exist for ascertaining such Libor-Rate, or

(B) a contingency has occurred which materially and adversely affects the interbank eurodollar market, or

(ii) at any time the Agent shall have determined in good faith (which determination shall be conclusive) that the making, maintenance or funding of the Libor-Rate Option has been made impracticable or unlawful by compliance by the Banks in good faith with any Law or guideline or interpretation or administration thereof by any Official Body charged with the interpretation or administration thereof or with any request or directive of any such Official Body (whether or not having the force of law);

then, and in any such event, the Agent may notify the Borrower of such determination. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given) the obligation of the Banks to allow Borrower to select, convert to or renew the Libor-Rate Option shall be suspended until the Agent shall have later notified the Borrower of the Banks' determination in good faith (which determination shall be conclusive) that the circumstances giving rise to such previous determination no longer exist.

If the Agent notifies the Borrower of a determination under subsection (ii) of this Section 4.1(d) the Borrower shall, on the date specified in such notice either convert the Loans to the other interest rate Option in accordance with Section 4.2 hereof or prepay such Option in accordance with Section 4.3 hereof. Absent due notice from the Borrower of conversion or prepayment the Libor-Rate automatically shall be converted to the Prime Rate Option upon such specified date.

If at the time the Banks make a determination under subsection (i) or (ii) of this Section 4.1(d) the Borrower has previously notified the Agent that it wishes to select, convert to or renew the Libor-Rate Option but such Option has not yet gone into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of the Prime Rate Option instead of the Libor-Rate Option.

4.2 Conversion or Renewal of Interest Rate Options.

(a) Conversion or Renewal. Subject to the provisions of Section 4.5 hereof the applicable Borrower may convert the entire outstanding amount of the Loans from the then applicable interest rate Option to the other interest rate Option and may renew the Libor-Rate Option as to any Libor-Rate Funding Period:

(i) at any time with respect to conversion from the Prime Rate Option,

(ii) at the expiration of the Libor-Rate Funding Period with respect to conversions from or renewals of the Libor-Rate Option, or

(iii) on the date specified in a notice by the Agent pursuant to Section 4.1(d) hereof with respect to conversions from the Libor-Rate Option.

Whenever the Borrower desires to convert or renew any interest rate Option the Borrower shall comply with Sections 2.2, 3.2 and 4.2 hereof by providing the Agent with the following information:

(iv) The date, which shall be a Business Day, on which the proposed conversion or renewal is to be made; and

(v) The then applicable Option selected in accordance with Section 4.1(a) hereof.

Notice having been so provided, after the date specified in such notice (telephonic or where applicable, in writing) interest shall be calculated upon the entire principal amount of the Loans so converted or renewed.

(b) Failure to Convert or Renew. Absent due notice from the Borrower of conversion or renewal in the circumstances described in Section 4.2(a)(ii) hereof, the Libor-Rate for which such notice is not received shall be converted automatically to the Prime Rate Option on the last day of the expiring Libor-Rate Funding Period.

4.3 Voluntary Prepayments. Subject to the provisions of Section 4.5 hereof and except for the contingent prepayments described in Sections 4.6 and 4.7 hereof, Borrower shall have the right at its option from time to time to prepay the Loans in whole or part without premium or penalty, provided that interest on the amount prepaid, accrued to the prepayment date, shall be paid on such prepayment date. Whenever the Borrower desires to prepay any part of the Loans, it shall provide notice to the Agent in writing setting forth the following information:

(a) the date, which shall be a Business Day, on which the proposed prepayment is to be made; and

(b) the aggregate principal amount of such prepayment which shall be an integral multiple of $100,000.

All voluntary prepayments shall be applied first to the interest then accrued, second to principal amounts due and owing, and then, in inverse order of maturity.

4.4 Interest Payments Dates. Interest on the Notes shall be due and payable on the last day of each month (at any time insofar as the Revolving Credit Notes are concerned and prior to the Conversion Date insofar as the Acquisition Notes are concerned) and quarterly (after the Conversion Date insofar as the Acquisition Notes are concerned) after the date hereof if the Prime Rate Option is applicable during any portion of such month for the period during which such Option was applicable and on the last day of the Libor-Rate Funding Period if the Libor-Rate Option is applicable for the period during which such Option was applicable and at maturity thereof. After maturity of the Loans (by acceleration or otherwise), interest thereon shall be due and payable on demand.

4.5 Additional Compensation in Certain Circumstances.

(a) Compensation for Taxes, Reserves and Expenses on Outstanding Loans. If, after the date hereof, any Law or guideline or interpretation or application thereof by any Official Body charged with the interpretation or administration thereof or compliance with any request or directive of any Official Body (whether or not having the force of law):

(i) subjects the Banks to any tax or changes the basis of taxation with respect to this Agreement, the Notes, the Loans or payments by the Borrower of principal, interest or other amounts due from the Borrower hereunder or under the Notes (except for taxes on the overall net income or franchise taxes based on the net income of the

Banks imposed by the jurisdiction in which the Banks' respective principal offices are located),

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against assets held by, credit extended by, deposits with or for the account of, or other acquisition of funds by, the Banks (other than requirements expressly included herein in the determination of the Libor-Rate hereunder), or

(iii) imposes upon the Banks any other condition or expense with respect to this Agreement, the Notes or its making, maintenance or funding of any part of the Loans or any security therefor,

and the result of any of the foregoing is to increase the cost to, reduce the income receivable by or impose any expense (including loss of margin) upon the Banks with respect to this Agreement, the Notes or the funding of any part of the Loans by an amount which the Banks deem to be material (the Banks being deemed for this purpose to have made, maintained or funded each Libor-Rate Funding Period from a Corresponding Source of Funds), the Agent shall from time to time notify the Borrower of the amount determined in good faith by the Banks (which determination shall be conclusive) to be necessary to compensate the Banks for such increase in cost, reduction in income or additional expense. Such amount shall be due and payable by the Borrower to the Agent ten (10) Business Days after such notice is given.

(b) Indemnity. In addition to the compensation required by subsection (a) of this Section 4.5, the Borrower shall indemnify the Banks against any loss or expense (including loss of margin) which the Banks have sustained or incurred as a consequence of any:

(i) payment, prepayment or conversion of the Libor-Rate Option on a day other than the last day of the Libor-Rate Funding Period (whether or not such payment, prepayment or conversion is mandatory or automatic and whether or not such payment or prepayment is then due),

(ii) attempt by the Borrower to revoke (expressly, by later inconsistent notices or otherwise) in whole or part any notice stated herein to be irrevocable (the Banks having in their sole discretion the options (A) to give effect to such attempted revocation and obtain indemnity under this Section 4.5(b) or (B) to treat such attempted revocation as having no force or effect, as if never made), or

(iii) to the extent permitted by law, default by the Borrower in the performance or observance of any covenant or condition contained in this Agreement or the Notes, including without limitation any failure of the Borrower to pay when due (by acceleration or otherwise) any principal, interest or any other amount due hereunder or under the Notes.

If the Banks sustain or incur any such loss or expense the Agent shall from time to time notify the Borrower of the amount determined in good faith by the Banks (which determination shall be presumptive) to be necessary to indemnify the Banks for such loss or expense. Such amount shall be due and payable by the Borrower to the Agent ten (10) Business Days after such notice is given.

4.6 Contingent Prepayments on Disposition, Loss of Assets, Merger or Change of Control or Non-Conforming Merger.

(i) If at any time the Borrower or any of its Subsidiaries disposes of assets or issues or sells Capital Stock of any Subsidiary with the result that there are Excess Sale Proceeds, and the Borrower does not apply such Excess Sale Proceeds in the manner described in Section 7.24(iii)(c)(II)(x), the Borrower will prepay (at the price specified below and upon notice as provided in Section 4.3) a principal amount of the outstanding Acquisition Notes equal to the Allocable Proceeds.

(ii) In the event of any damage to, or destruction, condemnation or other taking of, all or any portion of the properties or assets of the Borrower or any of its Subsidiaries, to the extent that the Borrower or any such Subsidiary receives insurance or condemnation proceeds with the result that Unutilized Taking Proceeds exceed $2,500,000 in respect of any fiscal year (such excess amount being herein called "Excess Taking Proceeds"), the Borrower will prepay (at the price specified in clause (v) of this Section 4.6 below and upon notice as provided in Section 4.7) a principal amount of the outstanding Acquisition Notes equal to the Allocable Proceeds.

(iii) (a) If at any time any Responsible Officer has knowledge of the occurrence of any Designated Event which could result in a Change in Control or Non-Conforming Merger, the Borrower will give notice as provided in Section 4.7 of such Designated Event to the Agent. Such notice shall contain and constitute an offer to prepay all, but not less than all, of the Acquisition Notes held by each Bank. Upon the occurrence of a Designated Event which could result in a Change in Control or Non-Conforming Merger, the Borrower will not take any voluntary action that consummates or finalizes the Change of Control or Non- Conforming Merger resulting from such Designated Event unless contemporaneously with such action, the Borrower prepays all Notes required to be prepaid in accordance with this Section 4.6 and Section 4.7.

(b) The obligation of the Borrower to prepay Acquisition Notes pursuant to the offer required by paragraph (a) of this clause (iii) subject to the consummation of the Change of Control or Non-Conforming Merger in respect of which any such offer and acceptance shall have been made. In the event that such Change of Control or Non-Conforming Merger does not occur on or before the proposed prepayment date in respect thereof, the prepayment shall be deferred until and shall be made on the date on which such Change of Control or Non-Conforming Merger occurs. The Borrower shall keep Agent reasonably and timely informed of (I) any such deferral of the date of prepayment, (II) the date on which such Change of Control or Non-Conforming Merger and the prepayment are expected to occur, and (III) any determination by the Borrower that efforts to effect such resulting Change of Control or Non-Conforming Merger have ceased or been abandoned (in which case the Borrower shall have no further obligation hereunder to prepay the Acquisition Notes).

(iv) Each such offer to prepay the Notes pursuant to Section 4.6(i) or 4.6(ii) shall be made (a) to the extent such prepayment represents all or a portion of an amount equal to first $7,500,000 in the aggregate in respect of any fiscal year up to $12,500,000 in the aggregate for all fiscal years of unapplied Excess Sale Proceeds and Excess Taking Proceeds (such unapplied being herein called, "Excess Proceeds"), at a price equal to 100% of the principal amount of the Notes to be prepaid, plus interest thereon to the prepayment date, and (b) to the extent such prepayment represents such Excess Proceeds in excess of the $7,500,000 in the aggregate for any fiscal year up to $12,500,000 in the aggregate for all fiscal years referred to in clause (a), at a price equal to 100% of the principal amount of the Notes to be prepaid, plus interest thereon to the prepayment date plus the Yield-Maintenance Amount, if any, thereon.

(v) Each offer to prepay the Notes pursuant to Section 4.6(iii) shall be made (a) to the extent such offer is in respect of a Change of Control, at a price equal to the principal amount of the Notes to be prepaid, plus interest thereon to the prepayment date plus a premium of 1% of the principal amount to be so prepaid, and (b) to the extent such offer is in respect of a Non-Conforming Merger, at a price equal to 100% of the principal amount of the Notes to be prepaid, plus interest thereon to the prepayment date plus the Modified Yield-Maintenance Amount, if any, thereon.

4.7 Prepayment Procedure for Contingent Prepayments.

(i) If at any time there are Excess Proceeds, and the Borrower is required to offer to prepay the Acquisition Notes with such Excess Proceeds pursuant to clause (i) or (ii) of Section 4.6, the Borrower will give written notice as provided in Section 12.1 (which shall be in the form of an Officers' Certificate) to the Banks not later than twelve months after the date of the applicable Asset Sale or the end of the twelve month period following receipt of the applicable Unutilized Taking Proceeds, as the case may be, and (a) setting forth in reasonable detail all calculations required to determine the amount of Excess Proceeds and the Yield-Maintenance Amount, if any, (b) setting forth the aggregate amount of the Allocable Proceeds and the amount of the Allocable Proceeds which is allocable to each Acquisition Note, determined by applying the Allocable Proceeds pro rata among all Private Placement Notes and the Acquisition Notes outstanding on the date such prepayment is to be made according to the aggregate then unpaid amounts of the Private Placement Notes and the Acquisition Notes, and in reasonable detail the calculations used in determining such amounts, and (c) stating that the Borrower will prepay on the date specified in such notice, which shall not be less than 25 nor more than 45 days after the date of such notice, a principal amount of each outstanding Acquisition Note equal to the amount of Allocable Proceeds allocated to such Acquisition Note as described in paragraph (b) above, plus such Note's share of the Allocable Proceeds allocable to any other Note the holder of which elects on a timely basis not to accept the Borrower's offer (collectively, the "Non-Accepting Holders"), all in accordance with the procedures set forth in this Section 4.7.

(ii) If at any time the Borrower is required to offer to prepay the Private Placement Notes and the Acquisition Notes following the occurrence of a Designated Event which could result in a Change in Control or Non-Conforming Merger, the Borrower will give written notice as provided in Section 12.1 (which shall be in the form of an Officer's Certificate) to the holders of the Notes not later than five business days following such Designated Event, stating that any holder failing to elect not to accept the offer shall be deemed to have accepted such offer and (a) setting forth in reasonable detail the facts and circumstances underlying such Designated Event known to it, (b) in the case of an offer to prepay given in respect of a Non-Conforming Merger, stating that any holder electing not to accept such offer shall be deemed to have consented to such Non-Conforming Merger and setting forth a calculation of the Modified Yield-Maintenance Amount, and (c) in the case of any offer, stating that the Borrower will prepay on the date specified in such notice, which shall be not less 25 nor more than 45 days after the date of such notice, at the applicable price specified in clause (v) of Section 4.6, each outstanding Note, all in accordance with the procedures set forth in this Section 4.7.

(iii) Each Bank holder of a Note electing not to accept an offer to prepay given pursuant to this Section 4.7 shall make such election by notice delivered to the Borrower at least 10 days prior to the date of prepayment specified in the notice given by the Borrower pursuant to clause (i) or (ii) of this Section 4.7. Each other holder of

a Note (collectively, the "Accepting Holders") shall be deemed to accept the Borrower's offer with respect to prepayment of such Note. In the case of a notice given by the Borrower pursuant to clause (i) of this Section each Accepting Holder shall be deemed to have accepted the Borrower's offer to the extent of its Allocable Proceeds and shall be deemed to have accepted an agreement (the "Pro Rata Option") to have prepaid, in addition to the Allocable Proceeds allocable to such Note (up to the total Allocable Proceeds), all or any part of the balance of the principal amount of such Note using the Allocable Proceeds that would have been paid to the Non-Accepting Holders; provided that any Accepting Holder may elect not to agree to the Pro Rata Option by notice delivered to the Borrower at least 5 days prior to the date of prepayment specified in the notice given by the Borrower pursuant to clause (i) of this Section 4.7.

(iv) Upon receipt of all timely notices from Non-Accepting Holders and Accepting Holders pursuant to clause (iii) of this Section 4.7, the Borrower shall give written notice as provided in Section 11I (which shall be in the form of an Officers' Certificate) to the holders of the Notes setting forth (a) the names of each Accepting Holder and each Non-Accepting Holder, (b) the principal amounts of the Notes of such Accepting Holders and Non-Accepting Holders affected by the Borrower's offer of prepayment, (c) in the case of a notice given by the Borrower pursuant to clause (i) of this Section 4.7, if there shall be any Allocable Proceeds remaining in addition to the amounts so to be prepaid, the principal amounts of the Notes as to which such Accepting Holders shall have exercised their Pro Rata Options together with a calculation of each Accepting Holder's Pro Rata Option in accordance with clause (v) of this Section 4.7 and (d) after giving effect to the prepayment contemplated by clause (v) of this Section 4.7 in respect of such offer, the reduced amount of each required payment thereafter becoming due with respect to the respective Notes under Sections 2.3 and 3.2 and upon the maturity thereof, specifying how each such amount was determined, and certifying that such reduction has been computed in accordance with such respective Sections.

(v) Upon receipt of all timely notices from Non-Accepting Holders and Accepting Holders pursuant to clause (iii) of this Section 4.7, the Borrower shall, in the case of a notice given by the Borrower pursuant to clause (i) of this Section 4.7, allocate that portion of the Allocable Proceeds that had been allocated to the Notes of such Non-Accepting Holders among the Notes of Accepting Holders in proportion to the respective Allocable Proceeds allocable to the Notes of Accepting Holders (after giving effect to any Pro Rata Option). Where the portion of the Allocable Proceeds thus allocated to the Note of an Accepting Holder would exceed the maximum principal amount of such Note which such Accepting Holder has agreed to have prepaid (including, without limitation, pursuant to a Pro Rata Option), such excess shall be allocated among the Notes of Accepting Holders who have agreed to accept prepayments (including, without limitation, pursuant to a Pro Rata Option) in amounts which still exceed the amount of prepayments previously allocated to them pursuant to this Section 4.7 in proportion to the respective Allocable Proceeds allocable to the Notes of such Accepting Holders (after giving effect to any Pro Rata Option); and such allocation shall be repeated as many times as shall be necessary until (a) the Allocable Proceeds have been fully allocated or (b) it is no longer possible to allocate the Allocable Proceeds without exceeding the maximum principal amounts of Notes which all Accepting Holders respectively have agreed to have prepaid (including, without limitation, pursuant to all the Pro Rata Options).

(vi) The principal amount of any Notes with respect to which a notice of prepayment pursuant to this Section 4.7 has been made shall become due and payable on the date specified in the notice of such offer given by the Borrower pursuant to clause

(i) or (ii), as the case may be of this Section 4.7. In the case of a notice given by the Borrower pursuant to clause (i) of this Section 4.7, it is understood that all Excess Proceeds not applied to the prepayment of the Acquisition Notes or to the payment of Parity Debt pursuant to Section 4.6 and this Section 4.7 shall constitute amounts included within clause (x) of the definition of "Unused Proceeds Reserve".

(vii) Each Bank shall receive, not more than two (2) Business Days prior to the date scheduled for any prepayment pursuant to this Section 4.7 an Officers' Certificate (i) certifying that the conditions of this Section 4.7 have been fulfilled with respect to such prepayment and specifying the particulars of such fulfillment, including without limitation, in reasonable detail the calculations used in computing the amount of the prepayment in respect of the Acquisition Notes and the appropriate Premium (together with, in the case of a calculation of any Yield-Maintenance Amount or the Modified Yield-Maintenance Amount, copies of the source of market data by reference to which the Reinvestment Yield or Modified Reinvestment Yield, as appropriate, was determined) with respect thereto, and (ii) in the case of any such prepayment that is a partial prepayment of the Acquisition Notes setting forth (a) the principal amount to be prepaid with respect to each of the Acquisition Notes and specifying how each such amount was determined and (b) after giving effect to such partial prepayment the reduced amount to be prepaid with respect to each required payment thereafter becoming due with respect to the Notes under Sections 2.3 and 3.2, respectively, and upon the maturity thereof, specifying how each such amount was determined, and certifying that such reduction has been computed in accordance with such paragraph. If for any reason the Bank holder of a Note so to be prepaid by written notice to the Borrower, objects to such calculation of the Yield-Maintenance Amount or Modified Yield-Maintenance Amount, the Borrower shall notify all other holders of Notes so to be prepaid of such objection. If after any such notice and objection, a calculation of the Yield-Maintenance Amount or Modified Yield- Maintenance Amount shall be approved by the Required Holders of the Notes to be prepaid and specified in a written notice provided to the Borrower and the holders of such Notes, such calculation shall be final and binding upon the Borrower and the holders of the Notes absent manifest error.

4.8 Notice of Optional Prepayment. The Borrower shall give the holder of each Note irrevocable written notice as provided in Section 12.1 of any prepayment pursuant to Sections 2.3, 3.2 and 4.3, respectively, not less than 30 days and not more than 60 days prior to the prepayment date, stating that such prepayment is to be made pursuant to Sections 2.3, 3.2 and 4.3, respectively, and specifying (i) such prepayment date, (ii) whether the Note(s) to be prepaid are Revolving Credit Notes or Acquisition Notes and (iii) the principal amount of such Notes, to be prepaid on such date, and (iii) a calculation of the estimated Yield-Maintenance Amount, if any, with respect to such prepayment. Notice of prepayment having been given as aforesaid, the principal amount of the Notes specified in such notice, together with interest thereon to the prepayment date, and the Yield-Maintenance Amount with respect thereto, shall become due and payable on such prepayment date. The Borrower shall, on or before the day on which it gives written notice of any prepayment pursuant to Sections 2.3, 3.2 and 4.3, respectively, give telephonic notice (confirmed in writing by facsimile transmission or overnight courier) of the principal amount of the Notes to be prepaid and the prepayment date to the Agent. In addition, each Bank holder of a Note shall receive, at least 2 Business Days prior to the date scheduled for any such prepayment an Officers' Certificate (i) certifying that the conditions of Sections 2.3, 3.2 and 4.3, respectively, have been fulfilled and specifying the particulars, including, without limitation, a calculation in reasonable detail of the Yield-Maintenance Amount with attached copies of the source of market data by reference to which the Reinvestment Yield was determined, of such fulfillment and (ii) in the case of any such prepayment that is a partial prepayment of the Notes, setting forth (a) the principal amount to be prepaid with respect to each of the Notes and

specifying how each such amount was determined, and (b) after giving effect to such partial prepayment the reduced amount to be prepaid with respect to each required payment thereafter becoming due with respect to the Notes under Sections 2.3, 3.2 and 4.3, respectively, and upon the maturity thereof, specifying how each such amount was determined, and certifying that such reduction has been computed in accordance with such respective Sections. If for any reason the holder of a Note so to be prepaid, by written notice to the Borrower, objects to such calculation of the Yield- Maintenance Amount, the Borrower shall notify all other holders of Notes so to be prepaid of such objection. If after any such notice and objection, a calculation of the Yield-Maintenance Amount shall be approved by the Required Holders and specified in a written notice provided to the Borrower and the other holders of such Notes, such calculation shall be final and binding upon the Borrower and the holders of the Notes absent manifest error.

4.9 Allocation of Partial Payments. Upon any partial prepayment of the Acquisition Notes or the Revolving Credit Notes, the principal amount so prepaid shall be allocated to all Notes at the time outstanding in proportion to the respective outstanding principal amounts thereof, provided, that in the case of any prepayment of less than all of the Notes pursuant to Sections 4.6 and 4.7, the principal amount of the Notes to be prepaid will be allocable to the Notes to be prepaid as provided in Sections 4.6 and 4.7 and, at the Banks' election, initially to the Acquisition Notes. Any application of contingent prepayments pursuant to Sections 4.6 and 4.7 hereof against the Notes shall constitute an automatic reduction of the applicable Commitment(s) equal to the amount applied to the respective Acquisition Notes (insofar as the Acquisition Facility is concerned) and the Revolving Credit Notes (insofar as the Revolving Working Capital Facility is concerned).

ARTICLE V

SECURITY

5.1 Collateral. The repayment of the Indebtedness shall be secured by the Collateral as more particularly described and defined in the Security Documents.

The security interests and pledges are to and in favor of the Collateral Agent, pursuant to the terms of the Security Documents and the Borrower shall execute such financing statements, assignments, notices and other documents and instruments as shall be deemed necessary or appropriate by the Agent, the Collateral Agent or special counsel to the Purchasers of the Private Placement Notes pursuant to the Note Purchase Agreement to duly and validly perfect the security interests thus created as a first and prior continuing security interest in and pledge of the Collateral.

The Borrower hereby acknowledges that all of the Collateral is granted as security for the repayment of all of the Indebtedness. If one or more Notes or the Private Placement Notes are paid in full or satisfied, but any portion of the Indebtedness remains unsatisfied, the Collateral Agent may retain its security interest in all of the Collateral on behalf of the Secured Parties described therein until the remaining Indebtedness evidenced by the Notes or incurred pursuant to this Agreement is paid in full, even if the value of the Collateral far exceeds the amount of such Indebtedness outstanding.

5.2 Segregated Reserve Accounts. Upon the occurrence of any default or Event of Default, Borrower shall establish and maintain such segregated reserve account with Agent as Banks shall request pursuant to lockbox or special collection account agreements in form and substance satisfactory to Banks and to be established by deposits of Available Cash as may be necessary to ensure payment of all principal and interest obligations of the Borrower to the Banks

on the Notes for both the current and next succeeding monthly and/or quarterly principal and interest installments due thereon. In such event the Borrower shall not have any access to or right of withdrawal from such Reserve Accounts.

ARTICLE VI

CONDITIONS PRECEDENT AND SUBSEQUENT TO LOANS

6.1 Conditions Precedent to Initial Revolving Credit Loan and Initial Acquisition Loan. The obligation of the Banks to make the initial Revolving Credit Loan and the initial Acquisition Loan is subject to the satisfaction of all of the following conditions on or prior to the Closing Date (in addition to the other terms and conditions set forth herein):

(a) No Default. There shall exist no Event of Default or Default on the Closing Date.

(b) Representations and Warranties. The representations, warranties and covenants set forth in Article VIII shall be true and correct on and as of the Closing Date, with the same effect as though made on and as of the Closing Date unless such representation or warranty relates only to an earlier date.

(c) Borrower's Certificate. The Borrower shall have delivered to the Agent a Certificate, dated as of the Closing Date, and signed by the President or Vice President and the Secretary of the General Partner certifying (i) to the matters covered by the conditions specified in subsections (a) and (b) of this Section 6.1, (ii) that the Borrower has performed and complied with all agreements and conditions required to be performed or complied with by them prior to or on the Closing Date, (iii) to the name and signature of each officer of the general partner of the Borrower authorized to execute and deliver the Loan Documents and any other documents, certificates or writings and to borrow under this Agreement, and (iv) to such other matters in connection with this Agreement which the Banks shall determine to be advisable. The Banks may conclusively rely on such Certificates until Agent receives notice in writing to the contrary.

(d) Proceedings. On or before the Closing Date, all partnership proceedings of the Borrower shall be taken in connection with the transactions contemplated by the Loan Documents and shall be satisfactory in form and substance to the Banks and Agent's counsel; and the Agent shall have received certified copies, in form and substance satisfactory to the Banks and Agent's counsel, of the partnership agreements and certificates of the Borrower and the Articles or Certificates of Incorporation and By-Laws of the General Partner and the resolutions of the Board of Directors of thte general partner of the Borrower, as adopted, authorizing the execution and delivery of the Loan Documents, the borrowings under this Agreement, and the granting of the security interests in the Collateral pursuant to the Security Agreement, to secure the payment of the Indebtedness.

(e) Notes. The Borrower shall have delivered the Notes payable to the order of the respective Banks, to the Agent, in each case appropriately executed.

(f) Security Agreement. The Borrower shall have delivered to the Collateral Agent the Security Agreement, appropriately executed by all parties, and dated as of the Closing Date, together with such financing statements (UCC or otherwise), and other documents as shall be necessary and appropriate to perfect the Collateral Agent's security

interests in the Collateral covered by said Security Agreement, including, without limitation, the Security Agreement.

(g) Private Placement Notes and Common Units Closings. The transactions and closing contemplated by the (i) Memorandum and the Note Purchase Agreement, including without limitation, all of the Conditions of Closing in Sections 3.A through 3.L, inclusive, of the Note Purchase Agreement, shall have been consummated and the Private Placement Notes duly issued in accordance with the terms, provisions and conditions of the Note Purchase Agreement and (ii) Registration Statement shall have been duly consummated and the Common Units purchased in accordance with the terms, provisions and conditions of the Underwriting Agreement described and defined in the Note Purchase Agreement.

(h) Opinions of Borrower's Counsel. The Agent shall have received from Borrower's counsel, Andrews & Kurth and Doerner, Saunders, Daniel & Anderson, as well as certain local counsel for Borrower pertaining to the Collateral, favorable written closing opinions addressed to the Banks, satisfactory in form and substance to the Banks and Agent's counsel.

(i) UCC Releases/Other Information. The Agent shall have received a written payoff statement from any other secured party of record concerning any of the Collateral together with applicable UCC terminations of record of all such existing security interest liens pertaining to the Collateral or any part thereof.

(j) Fees. The Borrower shall have paid to the Agent the $350,000 loan origination fee on the Acquisition Facility as required by Section 3.4 above.

(k) Other Information and Closing Documents. The Agent shall have received such other consents, information, documents, agreements and assurances as shall be reasonably requested by the Banks, including, without limitation, appropriate consents and approvals to the issuance of the Notes, the Private Placement Notes and the Common Units and Commitments.

6.2 Conditions Precedent to All Loans. The Banks shall not be obligated to make any additional Loan advance(s) after the initial Loan advances (i) if at such time any Event of Default shall have occurred or any Default shall have occurred and be continuing; or (ii) if any of the representations, warranties and covenants contained in Article VIII of this Agreement shall be false or untrue in any material respect on the date of such Loan, as if made on such date (unless such representation or warranty relates only to an earlier date). Each request by the Borrower for an additional Revolving Credit Loan or Acquisition Loan shall constitute a representation by the Borrower that there is not at the time of such request an Event of Default or a Default, and that all representations, warranties and covenants in Article VIII of this Agreement are true and correct on and as of the date of each such applicable loan request.

ARTICLE VII

COVENANTS

The Borrower covenants and agrees with the Banks that from the date hereof and so long as this Agreement is in effect (by extension, amendment or otherwise) and until payment in full of all Indebtedness and the performance of all other obligations of the Borrower under this

Agreement, unless the Banks shall otherwise consent in writing, which consent will not be unreasonably withheld:

7.1 Payment of Taxes and Claims. The Borrower will pay and discharge or cause to be paid and discharged all Taxes imposed upon the income or profits of the Borrower or upon the property, real, personal or mixed, or upon any part thereof, belonging to the Borrower before the same shall be in default, and all lawful claims for labor, rentals, materials and supplies which, if unpaid, might become a Lien upon its property or any part thereof; provided however, that the Borrower shall not be required to pay and discharge or cause to be paid or discharged any such Tax, assessment or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings, and adequate book reserves shall be established with respect thereto, and the Borrower shall pay such Tax, charge or claim before any property subject thereto shall become subject to execution.

7.2 Maintenance of Partnership/Corporate Existence. The Borrower will do or cause to be done all things necessary to preserve and keep in full force and effect its limited partnership existence rights and franchises and will continue to conduct and operate its business substantially as being conducted and operated presently. The Borrower will become and remain qualified to conduct business in each jurisdiction where the nature of the business or ownership of property by Borrower may require such qualification.

7.3 Preservation of Property. The Borrower will at all times maintain, preserve and protect all franchises and trade names and keep all the remainder of its properties which are used or useful in the conduct of its businesses whether owned in fee or otherwise, or leased, in good repair and operating condition; from time to time make, or cause to be made, all needful and proper repairs, renewals, replacements, betterments and improvements thereto so that the business carried on in connection therewith may be properly and advantageously conducted at all times; and comply with all material leases to which it is a party or under which it occupies property so as to prevent any material loss or forfeiture thereunder.

7.4 Insurance. The Borrower will keep or cause to be kept adequately insured by financially sound and reputable insurers its equipment, customer and storage tanks (whether owned or leased), motor vehicles, and all other property of a character usually insured by businesses engaged in the same or similar businesses. Upon demand by the Banks any insurance policies covering the Collateral covered by the Security Agreement shall be endorsed to provide for payment of losses to the Agent for and on behalf of the Banks as their respective interests may appear, to provide that such policies may not be canceled, reduced or affected in any manner for any reason without thirty (30) days prior notice to the Agent, and to provide for any other matters which the Banks may reasonable require; and such insurance shall be against fire, casualty and any other hazards normally insured against and shall be in the amount of the full value (less a reasonable deductible not to exceed amounts customary in the industry for similarly situated businesses and properties) of the property insured. The Borrower shall at all times maintain adequate insurance against damage to persons or property, which insurance shall be by financially sound and reputable insurers and shall, without limitation, provide the following coverages: comprehensive general liability (including, without limitation, coverage, where applicable, damage caused by explosion, broad form property damage coverage, broad form coverage for contractually independent contractors), worker's compensation, and automobile liability.

7.5 Compliance with Applicable Laws. The Borrower will comply with the requirements of all applicable Laws and orders of any Tribunal and obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its properties or to the conduct of its business.

7.6 Financial Statements and Reports.

(a) Quarterly Operating Statements. Borrower shall maintain a standard system of accounting and shall furnish to the Bank as soon as practicable after the end of the first three quarters of each fiscal year, commencing with the quarter ending June 30, 1996, and in any event within forty-five (45) days after the end of each said quarter, consolidated and consolidating operating statements for Borrower which shall be certified by the President or the chief financial officer of the general partner of the Borrower to have been prepared in accordance with GAAP (except for detailed footnotes and year end adjustments that do not result in materially adverse variations from the quarterly statements) consistently applied and to fairly present the financial condition of Borrower for such period (on a consolidated and consolidating basis), and shall include at least a balance sheet as at the end of such period, and statements of income and cash flows, all in reasonable detail.

(b) Annual Financial Statements. As soon as practicable after the end of each fiscal year of Borrower and in any event within 120 days thereafter, the Borrower shall furnish to the Banks the following financial statements (on a consolidated and consolidating basis), together with a report thereon on and an unqualified opinion, prepared in accordance with GAAP of reputable independent certified public accountants of recognized standing selected by Borrower and acceptable to the Banks:

(i) A balance sheet of the Borrower at the end of such year prepared on a consolidated and consolidating basis,

(ii) A statement of income of the Borrower for such year prepared on a consolidated and consolidating basis, and

(iii) A statement of cash flows of the Borrower for such year prepared on a consolidated and consolidating basis,

setting forth in each case in comparative form the figures for the previous fiscal year, if applicable, all in reasonable detail. The report of the independent certified public accountants shall contain a certification that in the course of the audit necessary for the certification of such financial statements, they have obtained no knowledge of any Event of Default or Default as defined herein, or, if any Event of Default or Default existed or exists, specifying the nature and period of existence thereof; provided, however, that such accountants shall not be liable to the Banks by reason of their failure to obtain knowledge of any such Event of Default or Default which would not be disclosed in the course of an audit conducted in accordance with generally accepted auditing standards.

(c) Quarterly Certificates. As soon as available and in any event within forty-five (45) days after the end of each of the first three (3) calendar quarters of each year, concurrently with the furnishing of the applicable quarterly statements pursuant to subsection 7.6(a), there shall be furnished to Banks a certificate signed by the chief financial officer of the Borrower stating that: (a) the financial statements were prepared (subject to year end audit adjustments and a lack of detailed footnotes) in conformity with GAAP, consistently applied; (b) a review of the activities of the Borrower for the period covered by the financial statements has been made under his supervision with a view to determining whether Borrower has kept, observed, performed and fulfilled all of their obligations under this Agreement, the other Loan Documents and every other document or instrument referred to herein; and (c) no Event of Default or an event which with the passage of time or notice, or both, could become an Event of Default has

occurred, and is continuing, or a statement describing the nature, period of existence and status of any such event(s) if existing. Such certificates shall fully demonstrate the method of all calculations therein contained insofar as compliance with financial covenants hereof are concerned but shall not be qualified or limited because of restricted or limited examination of any material portion of Borrower's records by the party preparing such quarterly statements.

(d) Annual/Special Covenant Certificates. Concurrently with the furnishing of the financial statements pursuant to 7.6(b), there shall be furnished to Banks a separate certificate signed by the chief financial officer of the general partner of Borrower stating that: (a) the financial statements were prepared in conformity with GAAP on a basis consistently applied, and (b) no Event of Default or an event which with the passage of time or notice, or both, could become an Event of Default has occurred, and is continuing, and status of any such event(s) if existing. Such certificate shall not be qualified or limited because of restricted or limited examination of any material portion of the Borrower's records by the party preparing such annual statements. All certificates of Borrower submitted pursuant to this Agreement in connection with compliance with certain financial ratio covenants herein contained, including, without limitation, Section 7.18 hereof shall fully demonstrate the method of calculations therein contained.

(e) Available Cash Reports. Together with each deliver of quarterly and annual financial information pursuant to paragraphs (a) or (b) of this Section 7.6, a statement setting forth, together with computations in reasonable detail, the amount of Available Cash as of the date of the balance sheet contained therein and the amounts of all Net Proceeds, Excess Sale Proceeds, Unutilized Taking Proceeds and Unused Proceeds Reserves (as such terms are described and defined in the Note Purchase Agreement) held by the Borrower at the end of the applicable quarterly period or fiscal year, as the case may be, signed by the Chief Financial Officer of the general partner of the Borrower.

(f) Special Auditing Reports. Promptly upon receipt thereof, the Borrower shall deliver to the Banks a copy of each report submitted to the Borrower, by independent accountants in connection with any annual, interim or special audit made by them of the books and records of the Borrower, including, without limitation, any comment letter submitted by such accountants to management in connection with their audit.

(g) Budgets and Projections. Promptly upon completion thereof, the Borrower shall deliver to the Agent a copy of each operating budget and projection of financial performance prepared for such Borrower.

(h) Periodic Reports. Promptly upon their becoming available, copies of all financial statements, reports, notices or proxy statements sent by the Borrower to their stockholders and all registration statements, prospectuses, periodic reports and other statements and schedules filed by the Borrower or Heritage Propane with any securities exchange, the Securities and Exchange Commission or any similar state or federal governmental authority, including without limitation, copies of the Quarterly Report on Form 10-Q and copies of the Annual Report on Form 10-K of Heritage Propane for each applicable fiscal year.

(i) Other Reports. Promptly upon their becoming available and in any event within three (3) Business Days of submission to the Purchasers pursuant to the Note Purchase Agreement or the holders of the Common Units, Borrower shall submit to the

Agent complete copies of any and all reports or notices thereto, whether required by the Note Purchase Agreement, the Registration, applicable law or otherwise.

7.7 Environmental Covenants. Borrower will immediately notify the Agent of and provide the Banks with copies of any notifications of discharges or releases or threatened releases or discharges of a Polluting Substance on, upon, into or from the Collateral which are given or required to be given by or on behalf the Borrower to any federal, state or local Tribunal if any of the foregoing may materially and adversely affect the Borrower or any part of the Collateral, and such copies of notifications shall be delivered to the Bank at the same time as they are delivered to the Tribunal. Borrower further agrees promptly to undertake and diligently pursue to completion any appropriate and legally required or authorized remedial containment and cleanup action in the event of any release or discharge or threatened release or discharge of a Polluting Substance on, upon, into or from the Collateral. At all times while owning and operating the Collateral, the Borrower will maintain and retain complete and accurate records of all releases, discharges or other disposal of Polluting Substances on, onto, into or from the Collateral, including, without limitation, records of the quantity and type of any Polluting Substances disposed of on or off the Collateral.

7.8 Environmental Indemnities. Borrower hereby agrees to indemnify, defend and hold harmless the Banks and each of their respective officers, directors, employees, agents, consultants, attorneys, contractors and each of its affiliates, successors or assigns, or transferees from and against, and reimburse said Persons in full with respect to, any and all loss, liability, damage, fines, penalties, costs and expenses, of every kind and character, including reasonable attorneys' fees and court costs, known or unknown, fixed or contingent, occasioned by or associated with any claims, demands, causes of action, suits and/or enforcement actions, including any administrative or judicial proceedings, and any remedial, removal or response actions ever asserted, threatened, instituted or requested by any Persons, including any Tribunal, arising out of or related to: (a) the breach of any representation or warranty of Borrower contained in Section 8.16 set forth herein; (b) the failure of Borrower to perform any of its covenants contained in Section 7.7 hereunder; (c) the ownership, construction, occupancy, operation, use of the Collateral covered by the Security Agreement prior to the earlier of the date on which (i) the Indebtedness and obligations secured hereby have been paid and performed in full and the Security Instruments have been released, or (ii) the Collateral covered by the Security Agreement has been sold by Banks following Banks' ownership of the Collateral covered by the Security Agreement by way of foreclosure of the Liens granted pursuant hereto, deed in lieu of such foreclosure or otherwise (the "Release Date"); provided, however, this indemnity shall not apply with respect to matters caused by or arising solely from the Banks' activities during any period of time the Banks acquire ownership of the Collateral covered by the Security Agreement.

The indemnities contained in this Section 7.8 apply, without limitation, to any violation on or before the Release Date of any Environmental Law and any liability or obligation relating to the environmental conditions on, under or about the Collateral covered by the Security Agreement on or prior to the Release Date (including, without limitation: (a) the presence on, upon or in the Collateral covered by the Security Agreement or release, discharge or threatened release on, upon or from the Collateral covered by the Security Agreement of any Polluting Substances generated, used, stored, treated, disposed of or otherwise released prior to the Release Date, and (b) any and all damage to real or personal property or natural resources and/or harm or injury including wrongful death, to persons alleged to have resulted from such release of any Polluting Substances regardless of whether the act, omission, event or circumstances constituted a violation of any Environmental Law at the time of its existence or occurrence). The term "release" shall have the meaning specified in CERCLA/SARA and the terms "stored," "treated" and "disposed" shall have the meanings specified in RCRA/HSWA; provided, however, any

broader meanings of such terms provided by applicable laws of the state in which the property is situated shall apply.

The provisions of this Section 7.8 shall be in addition to any other obligations and liabilities Borrower may have to the Banks at common law and shall survive the Release Date and shall continue thereafter in full force and effect.

The Banks agree that in the event that such claim, suit or enforcement action is asserted or threatened in writing or instituted against them or any of their respective officers, employers, agents or contractors or any such remedial, removal or response action is requested of them or any of their respective officers, employees, agents or contractors for which the Banks may desire indemnity or defense hereunder, the Banks shall give written notification thereof to the Borrower.

Notwithstanding anything to the contrary stated herein, the indemnities created by this Section 7.8 shall only apply to losses, liabilities, damages, fines, penalties, costs and expenses actually incurred by the Banks as a result of claims, demands, actions, suits or proceedings brought by Persons who are not the beneficiaries of any such indemnity. The Agent shall act as the exclusive agent for all indemnified Persons under this Section 7.8. With respect to any claims or demands made by such indemnified Persons, the Agent shall notify the Borrower within thirty (30) days after the Agent's receipt of a writing advising the Banks of such claim or demand. Such notice shall identify (i) when such claim or demand was first made, (ii) the identity of the Person making it, (iii) the indemnified Person and (iv) the substance of such claim or demand. Failure by the Agent to so notify the Borrower within said thirty (30) day period shall reduce the amount of the Borrower's obligations and liabilities under this Section 7.8 by an amount equal to any damages or losses suffered by the Borrower resulting from any prejudice caused the Borrower by such delay in notification from the Agent. Upon receipt of such notice, the Borrower shall have the exclusive right and obligation to contest, defend, negotiate or settle any such claim or demand through counsel of their own selection (but reasonably satisfactory to the Banks) and solely at Borrower's own cost, risk and expense; provided, that the Banks, at their own cost and expense shall have the right to participate in any such contest, defense, negotiations or settlement. The settlement of any claim or demand hereunder by the Borrower may be made only upon the prior approval of the Banks of the terms of the settlement, which approval shall not be unreasonably withheld.

7.9 Notice of Default. As soon as Borrower knows of the happening of any condition or event which constitutes an Event of Default or Default or any default or event of default under any other loan, mortgage, financing or security agreement, Borrower will give the Agent a written notice thereof specifying the nature and period of existence thereof and what actions, if any, Borrower is taking and proposes to take with respect thereto.

7.10 Notice of Litigation. Immediately upon becoming aware of the existence of any action, suit or proceeding at law or in equity before any Tribunal, an adverse outcome in which would (i) materially impair the ability of the Borrower to carry on its business substantially as now conducted, (ii) materially and adversely affect the condition (financial or otherwise) of the Borrower, or (iii) result in monetary damages in excess of $500,000, the Borrower will give the Agent a written notice specifying the nature thereof and what actions, if any, the Borrower is taking and proposes to take with respect thereto.

7.11 Notice of Claimed Default. Immediately upon becoming aware that the holder of any note or any evidence of indebtedness or other security of the Borrower has given notice or taken any action with respect to a claimed default or event of default thereunder, if the amount of the note or indebtedness exceeds $250,000 the Borrower will give the Agent a written notice specifying the notice given or action taken by such holder and the nature of the claimed default

or event of default thereunder and what actions, if any, the Borrower is taking and propose to take with respect thereto.

7.12 Change of Management. Within five (5) days after any change in executive management of the Borrower or any officers of the general partner of the Borrower holding an office of President, Chairman or chief financial officer thereof, the Borrower shall give written notice thereof to the Agent, together with a description of the reasons for the change. The replacement for any such executive officer shall be subject to consent of the Banks, which shall not be unreasonably withheld.

7.13 Requested Information. With reasonable promptness, the Borrower will give the Banks such other data and information relating to the Borrower as from time to time may be reasonably requested by the Banks.

7.14 Field Audits. The Agent, for and on behalf of the Banks, shall be permitted to conduct field audits of the Borrower's accounts, inventory and books and records relating thereto from time to time at the Bank's sole option, but not more than twice in each calendar year, the cost and expense of which shall be borne solely by Borrower. Each field audit shall be conducted by agents of the Banks, whether employees of the Agent or third-party agents selected by the Banks. The Borrower shall fully cooperate with the Banks and their agents in connection with such field audits.

7.15 Inspection. The Borrower will keep complete and accurate books and records with respect to the Collateral and their other properties, businesses and operations and will permit employees and representatives of the Banks to audit, inspect and examine the same and to make copies thereof and extracts therefrom during normal business hours. All such records shall be at all times kept and maintained at the principal corporate offices of the Borrower in Tulsa, Oklahoma. Upon any Default or Event of Default, the Borrower will surrender all of such records relating to the Collateral to the Agent upon receipt of any request therefor from the Banks.

7.16 Maintenance of Employee Benefit Plans. The Borrower will maintain each employee benefit plan as to which they may have any liability or responsibility in compliance with ERISA and all other Laws applicable thereto.

7.17 Disposition/Negative Pledge re Encumbrance of Collateral and Other Assets. Borrower will not sell or encumber any of the Collateral and Borrower will not sell, lease, transfer, scrap or otherwise dispose of or mortgage, pledge, grant a security interest in or otherwise encumber any of Borrower's other properties or assets (including without limitation, real estate, motor vehicles, trucks, tractors and other items or types of rolling stock), whether for replacement or not, unless such sale or disposition shall be in the ordinary course of business and for a full and fair consideration, without obtaining the Agent's prior consent. In no event shall Borrower cause or permit the voluntary or involuntary pledge, mortgage or other encumbrance, attachment or levy of or against any of the properties or assets of whatsoever nature or type to any Person (financial institution or otherwise).

7.18 Financial Ratios. The Borrower will not permit:

(i) Ratio of Consolidated Funded Indebtedness to EBITDA. Consolidated Funded Indebtedness at the end of any fiscal quarter to exceed (a) 5.25 to 1 times EBITDA for the period from the Closing Date through August 31, 1997, (b) 5.0 to 1 from September 1, 1997 through August 31, 1998 and (c) 4.75 to 1 from September 1, 1998 through final maturity of the Acquisition Facility as evidenced by the Acquisition Note.

(ii) Minimum Interest Coverage. EBITDA for any fiscal quarter prior to the first anniversary of the Closing Date to be less than 2.00 times Consolidated Interest Expense for such fiscal quarter, and EBITDA for any fiscal quarter after the first anniversary of the Closing Date to be less than 2.25 times Consolidated Interest Expense, in each case, measured at the end of such fiscal quarter as calculated on a trailing four (4) fiscal quarter basis; and

(iii) Ratio of EBITDA to Fixed Charges. EBITDA at the end of any fiscal quarter to be less than 1.25 times Consolidated Fixed Charges ("Fixed Charges" shall mean scheduled principal and interest payments and payments due under capital leases over the next four (4) succeeding fiscal quarters) as calculated on a trailing four (4) quarter basis.

Notwithstanding any of the provisions of this Agreement the Borrower will not enter into any transaction pursuant to Section 7.19, clauses (vii) and (viii) of Section 7.20, Section 7.23, clauses (i)(b), (i)(c), (ii)(b) and (iii) of Section 7.24 and Section 7.26, if the consummation of any such transaction would result in a violation of clause (i) of this Section 7.18, calculated for such purpose as of the date on which such transaction was to be consummated both immediately before and after giving effect to the consummation thereof; provided, however, that in the case of transactions pursuant to Section 7.24, the calculation shall be made on a pro forma basis in accordance with GAAP after giving effect to any such transaction, with the ratio recomputed as at the last day of the most recently ended fiscal quarter of the Borrower as if such transaction had occurred on the first day of the relevant four (4) quarter period.

7.19 Indebtedness. The Borrower will not, and nor will it permit any of its Subsidiaries to, create, incur, assume, or otherwise become directly or indirectly liable with respect to, any Indebtedness, except (subject to the provisions of Section 7.21):

(i) The Borrower may become and remain liable with respect to Indebtedness evidenced by the Private Placement Notes and Indebtedness incurred in connection with any extension, renewal, refunding or refinancing of Indebtedness evidenced by the Private Placement Notes, provided that the principal amount of such Indebtedness shall not exceed the principal amount of the Indebtedness evidenced by the Private Placement Notes, together with any accrued interest and Yield Maintenance Amount, with respect thereto being extended, renewed, refunded or refinanced, provided that the aggregate principal amount of indebtedness permitted under this clause (i) shall not at any time exceed $120,000,000;

(ii) the Borrower may become and remain liable with respect to Indebtedness incurred under the Revolving Working Capital Facility as evidenced by the Revolving Credit Notes and for any purpose permitted by the Revolving Working Capital Facility and any Indebtedness incurred for any such permitted purpose which replaces, extends, renews, refunds or refinances any such Indebtedness, in whole or in part; provided that the aggregate principal amount of Indebtedness permitted under this clause (ii) shall not at any time exceed $15,000,000;

(iii) the Borrower may become and remain liable with respect to Indebtedness incurred by the Borrower under the Acquisition Facility as evidenced by the Acquisition Notes and any Indebtedness incurred for such permitted purpose which replaces, extends, renews, refunds or refinances any such Indebtedness, in whole or in part; provided that the aggregate principal amount of Indebtedness permitted under this clause (iii) shall not at any time exceed $35,000,000;

(iv) any Subsidiary of the Borrower may become and remain liable with respect to Indebtedness of such Subsidiary owing to the Borrower or to a Wholly-Owned Subsidiary of the Borrower;

(v) Indebtedness of Bi-State Propane and M.P. Oils Partnership, provided that the aggregate principal amount of Indebtedness permitted under this clause (v) shall not at any time exceed $5,000,000 including BOk's existing loan facility to Bi-State Propane in the amount of $3,000,000;

(vi) the Borrower and any of its Subsidiaries may become and remain liable with respect to Indebtedness relating to any business, property or assets acquired by or contributed to the Borrower or such Subsidiary or which is secured by a loan on any property or assets acquired by or contributed to the Borrower or such Subsidiary to the extent such Indebtedness existed at the time such business, property or assets were so acquired or contributed, and if such Indebtedness is secured by such property or assets, such security interest does not extend to or cover any other property of the Borrower or any of its Subsidiaries; provided that (a) immediately after giving effect to such acquisition or contribution, the Borrower could incur at least $1.00 of additional Indebtedness pursuant to clause (xiii) of this Section 7.19 and (b) such Indebtedness was not incurred in anticipation of such acquisition or contribution;

(vii) the Borrower and any of its Subsidiaries may become and remain liable with respect to Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness is extinguished within two (2) Business Days of its incurrence;

(viii) the Borrower may become and remain liable with respect to Guarantees of the Indebtedness of Bi-State Propane and M.P. Oils Partnership permitted by clause (v) of this Section 7.19;

(ix) any Person that after the date of Closing becomes a Subsidiary of the Borrower may become and remain liable with respect to any Indebtedness to the extent such Indebtedness existed at the time such Person became a Subsidiary; provided that (a) immediately after giving effect to such Person becoming a Subsidiary of the Borrower, the Borrower could incur at least $1 of additional Indebtedness in compliance with clause (xiii) of this Section 7.19 and (b) such Indebtedness was not incurred in anticipation of such Person becoming a Subsidiary of the Borrower;

(x) the Borrower and any of its Subsidiaries may become and remain liable with respect to Indebtedness owed to any person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance to the Borrower or any of its Subsidiaries, pursuant to reimbursement or indemnification obligations to such person;

(xi) the Borrower and any of its Subsidiaries may become and remain liable with respect to Indebtedness in respect of performance bonds, bid bonds, appeal bonds, surety bonds and similar obligations, in each case provided in the ordinary course of business, including those incurred to secure health, safety and environmental obligations in the ordinary course of business, and any extension, renewal or refinancing thereof to the extent not provided to secure the repayment of other Indebtedness and to the extent that the amount of refinancing Indebtedness is not greater than the amount of Indebtedness being refinanced;

(xii) the Borrower may become and remain liable with respect to Indebtedness incurred in respect of Capitalized Lease Obligations provided; that the Lien in respect thereof is permitted by clause (viii) of this Section 7.19; and

7.20 Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, assume, incur or suffer to exist any Lien upon or with respect to any of their respective properties or assets, whether now owned or hereafter acquired, or any income or profits therefrom (whether or not provision is made for the equal and ratable securing of the Notes in accordance with the provisions of Section ____ hereof), except:

(i) Liens existing on the date hereof on the property and assets of either of the Borrower or any of their respective Subsidiaries as described in Exhibit ____;

(ii) Liens for taxes, assessments or other governmental charges the payment of which is not yet due and payable or the validity of which is being contested in good faith in compliance with Section 7.1;

(iii) attachment or judgment Liens not giving rise to an Event of Default and with respect to which the underlying action has been appealed or is being contested in good faith in compliance with Section 7.__;

(iv) Liens of lessors, landlords, carriers, vendors, mechanics, materialmen, warehousemen, repairmen and other like Liens incurred in the ordinary course of business the payment of which is not yet due or which is being contested in good faith in compliance with Section 7.__, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property, provided that such Liens do not materially interfere with the conduct of the business of the Borrower and its Subsidiaries taken as a whole;

(v) Liens (other than any Lien imposed by ERISA) incurred and pledges and deposits made in the ordinary course of business (a) in connection with workers' compensation, unemployment insurance, old age pensions, retiree health benefits and other types of social security, or (b) to secure (or to obtain letters of credit that do not constitute Indebtedness and that secure) the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, performance bonds, contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money or the obtaining of advances or credit provided that such Liens do not materially interfere with the conduct of the business of the Borrower and its Subsidiaries taken as a whole;

(vi) zoning restrictions, easements, licenses, reservations, provisions, covenants, conditions, waivers, restrictions on the use of property or irregularities of title (and with respect to leasehold interests, mortgages, obligations, liens and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under a landlord or owner of the leased property, with or without consent of the lessee) which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;

(vii) Liens existing on any property of a Person at the time such Person becomes a Subsidiary of the Borrower or existing at the time of acquisition upon any property acquired by the Borrower or any of its Subsidiaries at the time such property is so acquired, through purchase, merger or consolidation or otherwise (whether or not the Indebtedness secured thereby shall have been assumed); provided, however, that in

the case of any such Lien (1) such Lien shall at all times be confined solely to any such property and, if required by the terms of the instrument creating such Lien, other property which is an improvement to such acquired property, (2) such Lien was not created in anticipation of such transaction, and (3) the Indebtedness secured by such Lien shall be permitted under Section 7.19;

(viii) Liens created to secure all or any part of the purchase price, or to secure Indebtedness (other than Indebtedness permitted under clauses (i), (ii) and (iii) of Section 7.19) incurred or assumed to pay all or any part of the purchase price or cost of construction, of property acquired or constructed by the Borrower or any of its Subsidiaries after the Closing Date; provided that (i) any such Lien shall be confined solely to the item or items of such property (or improvement therein) so acquired or constructed and, if required by the terms of the instrument creating such Lien, other property (or improvement thereon) which is an improvement to such acquired or constructed property, (iii) any such Lien shall be created contemporaneously with, or within 180 days after, the acquisition or construction of such property, and (iii) such Lien does not exceed an amount equal to 85% of the fair market value (100% in the case of Centralized Lease Obligations) of such assets (as determined in good faith by the Board of Directors of Heritage) at the time of acquisition thereof;

(ix) Liens on property or assets of any Subsidiary of the Borrower securing Indebtedness of such Subsidiary owing to the Borrower or a Wholly-Owned Subsidiary;

(x) leases or subleases of equipment to customers which do not materially interfere with the conduct of the business of the Borrower and its Subsidiaries taken as a whole;

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

(xii) Liens (other than Liens securing Indebtedness) on the property or assets of any Subsidiary of the Borrower in favor of the Borrower or any other Wholly-Owned Subsidiary of the Borrower;

(xiii) Liens created by any of the Security Documents securing Indebtedness evidenced by the Notes, the Acquisition Facility and/or the Revolving Working Capital Facility; and

(xiv) any Lien renewing, extending or refunding any Lien permitted by this Section 7.20, provided that (a) the principal amount of the Indebtedness secured by any such Lien shall not exceed the principal amount of such Indebtedness outstanding immediately prior to the renewal, extension or refunding of such Lien and (b) no assets encumbered by any such Lien other than the assets encumbered immediately prior to such renewal, extension or refunding shall be encumbered thereby.

Notwithstanding the foregoing, except for the liens and security interest created by the Security Documents, the Borrower will not, and will not permit any of their respective Subsidiaries to, create, assume or incur any Lien upon or with respect to (a) any Subsidiary stock held by the Borrower or any other Subsidiary thereof, or (b) any of its proprietary software

developed by or on behalf of the Borrower or its Affiliates necessary and useful for the conduct of the Business. No Lien permitted under this Section 7.20 shall result in over-collateralization except as required by conventional practice for specific types of borrowings.

7.21 Priority Debt. The Borrower will not permit Priority Debt, at any time, to exceed 10% of the then Consolidated Tangible Net Worth of the Borrower and its Subsidiaries. The provisions of this Section 7.21 are further limitations on Priority Debt that shall otherwise be permitted by Sections 7.18, 7.19 or 7.20.

7.22 Loans, Advances, Investments and Contingent Liabilities. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, purchase or own any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any Person, make or permit to remain outstanding any loan or advance to, or guarantee, endorse or otherwise be or become contingently liable, directly or indirectly, in connection with the obligations of any Person, or make any other Investment, except:

(i) the Borrower or any of its Subsidiaries may make and own Investments (x) arising out of loans and advances to employees incurred in the ordinary course of business, (y) arising out of extensions of trade credit or advances to third parties in the ordinary course of business and (z) acquired by reason of the exercise of customary creditors' rights upon default or pursuant to the bankruptcy, insolvency or reorganization of a debtor;

(ii) Guarantees that constitute Indebtedness to the extent permitted by Sections 7.18 and 7.19 and other Guarantees that are not Guarantees of Indebtedness and are undertaken in the ordinary course of business;

(iii) investment in (collectively, "Cash Equivalents")

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

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

(c) commercial paper maturing no more than 270 days from the date of creation thereof and having as at the date of acquisition thereof one of the two highest ratings obtainable from either Standard & Poor's Rating Group or Moody's Investors Service, Inc.,

(d) certificates of deposit maturing one year or less from the date of acquisition thereof issued by commercial banks incorporated under the laws of the United States of America or any state thereof or the District of Columbia or Canada or issued by the United States branch of any commercial bank organized under the laws of any country in Western Europe or Japan, with capital and stockholders' equity of at least $500,000,000 (or the equivalent in the currency of such country), (A) the commercial paper or other short term unsecured debt obligations of which are as at such date rated either A-2 or better (or comparably

if the rating system is changed) by Standard & Poor's Rating Group or Prime-2 or better (or comparably if the rating system is changed) by Moody's Investors Service, Inc. or (B) the long-term debt obligations of which are as at such date rated either A or better (or comparably if the rating system is changed) by Standard & Poor's Rating Group or A2 or better (or comparably if the rating system is changed) by Moody's Investors Service, Inc. ("Permitted Banks"),

(e) Eurodollar time deposits having a maturity of less than 270 days from the date of acquisition thereof purchased directly from any Permitted Bank,

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

(g) obligations of the type described in clause (a), (b), (c), (d) or (e) above purchased from a securities dealer designated as a "primary dealer" by the Federal Reserve Bank of New York or from a Permitted Bank as counterparty to a written repurchase agreement obligating such counterparty to repurchase such obligations not later than 14 days after the purchase thereof and which provides that the obligations which are the subject thereof are held for the benefit of the Borrower or any of its Subsidiaries by a custodian which is a Permitted Bank and which is not a counterparty to the repurchase agreement in question;

(iv) the Borrower or any of its Subsidiaries may acquire Capital Stock or other ownership interests of a Person (i) located in the United States of America or Canada, (ii) incorporated or otherwise formed pursuant to the laws of the United States of America or Canada or any state or province thereof or the District of Columbia and (iii) engaged in substantially the same business as the Borrower which Person at the time of such acquisition is, or as a result thereof becomes, a Subsidiary of the Borrower;

(v) the Borrower or any of its Subsidiaries may make and own Investments (in addition to Investments permitted by clauses (i), (ii), (iii), and (iv) of this Section 7.22) in any Person incorporated or otherwise formed pursuant to the laws of the United States of America or Canada or any state or province thereof or the District of Columbia; provided, however, that (i) the sum of (a) the aggregate amount of all such Investments made by the Borrower and its Subsidiaries following the Closing Date which are outstanding pursuant to this clause (v) plus (b) all other Investments held by the Borrower and its Restricted Subsidiaries which are outstanding as of the Closing Date and listed on Schedule 6E of the Note Purchase Agreement shall not at any date of determination exceed 10% of Consolidated Net Tangible Assets (the "Investment Limit"); (ii) the representation in Section 8S of the Note Purchase Agreement shall be true and correct as of the date of determination; and (iii) the aggregate amount of all such Investments made by the Borrower and its Subsidiaries and outstanding pursuant to this clause (v) in Persons engaged in a business which is not substantially the same as a line of business described in Section 7.25 hereof or 6H of the Note Purchase Agreement shall not at any date exceed $___________;

(vi) the Borrower may make and become liable with respect to any Interest Rate Agreements; and

(vii) any Subsidiary of the Borrower may make Investments in the Borrower.

7.23 Restricted Payments. The Borrower will not directly or indirectly declare, order, pay, make or set apart any sum for any Restricted Payment, except that the Borrower may declare or order, and make, pay or set apart, once during each fiscal quarter a Restricted Payment if (i) such Restricted Payment is in an amount not exceeding Available Cash for the immediately preceding quarter, and (ii) no Default or Event of Default exists before or immediately after any such proposed action.

7.24 Consolidation, Merger, Sale of Assets. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly,

(i) consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into it, except that:

(a) any Subsidiary of the Borrower may consolidate with or merge into the Borrower or a Wholly- Owned Subsidiary of the Borrower if the Borrower or a Wholly-Owned Subsidiary of the Borrower, as the case may be, shall be the surviving Person; and

(b) any entity (other than a Subsidiary of the Borrower) may consolidate with or merge into the Borrower or a Subsidiary if the Borrower or a Subsidiary of the Borrower, as the case may be, shall be the surviving Person and if, immediately after giving effect to such transaction, (I) the Borrower and its Subsidiaries (x) shall not have a Consolidated Net Worth, determined in accordance with GAAP applied on a basis consistent with the consolidated financial statements of the Borrower most recently delivered pursuant to Section 7.6, of less than the Consolidated Net Worth of the Borrower immediately prior to the effectiveness of such transaction, satisfaction of this requirement to be set forth in reasonable detail in an Officers' Certificate delivered to each holder of a Private Placement Note or the Notes at the time of such transaction, and (y) could incur at least $1.00 of additional Indebtedness in compliance with Section 7.18 and clause (xiii) of Section 7.19, (II) substantially all of the assets of the Borrower and its Subsidiaries, taken as a whole, shall be located and substantially all of their business shall be conducted within the continental United States of America or Canada and (III) no Default or Event of Default shall exist and be continuing; and

(c) the Borrower may consolidate with or merge into any other entity if (I) the surviving entity is a corporation or limited partnership organized and existing under the laws of the United States of America or any state thereof or the District of Columbia, with substantially all of its properties located and its business conducted within the continental United States of America, (II) such corporation or limited partnership expressly and unconditionally assumes the obligations of the Borrower under this Agreement, the Notes, the Private Placement Notes and the other related documents to which the Borrower is a party, and delivers to each holder of a Private Placement Note and/or the Notes at the time outstanding an opinion of counsel satisfactory to the Required Holders with respect to the due authorization and execution of the related agreement of assumption and the enforceability of such agreement against such corporation or partnership, (III) immediately after giving effect to such transaction, such corporation or limited partnership (x) shall not have a Consolidated Net Worth, determined in accordance with GAAP applied on a basis consistent with the consolidated financial statements of the Borrower most recently delivered pursuant to Section 7.6 (or if no such financials have yet been delivered under Section 7.6, consistent with the consolidated financial statements referred to in Section 7.21), of less than the Consolidated Net Worth of the Borrower immediately prior to the effectiveness of such transaction, satisfaction of this requirement to be set forth in reasonable detail in an

officers' certificate delivered to each holder of a Private Placement Note and/or the Notes at the time of such transaction, and (y) could incur at least $1.00 of additional Indebtedness in compliance with Section 7.18 and clause (xiii) of Section 7.19, and (IV) no Default or Event of Default shall exist and be continuing immediately before or after giving effect to such transaction; or

(ii) sell, lease, abandon or otherwise dispose of all or substantially all its assets, except that:

(a) any Subsidiary of the Borrower may sell, lease or otherwise dispose of all or substantially all its assets to the Borrower or to a Wholly-Owned Subsidiary of the Borrower; and

(b) the Borrower may sell, lease or otherwise dispose of all or substantially all its assets to any corporation or limited partnership into which the Borrower could be consolidated or merged in compliance with clause (i)(c) of this Section 7.24, provided that each of the conditions set forth in such clause (i)(c) shall have been fulfilled; or

(iii) sell, lease, convey, abandon or otherwise dispose of (including, without limitation, in connection with a Sale and Lease-Back Transaction) any of its assets (except in a transaction permitted by clause (i)(a), (i)(b), (i)(c), (ii)(a) or (ii)(b) of this Section 7.24 or sales of inventory in the ordinary course of business consistent with past practice) or issue or sell Capital Stock of any Subsidiary of the Borrower, whether in a single transaction or a series of related transactions (each of the foregoing non- excepted transactions, an "Asset Sale"), unless:

(a) immediately after giving effect to such proposed disposition no Default or Event of Default shall exist and be continuing;

(b) such sale or other disposition is for cash consideration or for consideration consisting of not less than 75% cash and not more than 25% interest-bearing promissory notes;

(c) one of the following two conditions must be satisfied:

(I) (x) the aggregate Net Proceeds of all assets so disposed of (whether or not leased back) over the immediately preceding 12-month period does not exceed $5,000,000 and (y) the aggregate Net Proceeds of all assets so disposed of (whether or not leased back) from the Closing Date through the date of such disposition does not exceed $10,000,000; or

(II) in the event that such Net Proceeds (less the amount thereof previously applied in accordance with clause (x) of this clause (c)(II)) exceeds the limitations determined pursuant to clauses (x) and (y) of clause (c)(I) of this Section 7.24 (such excess amount being herein called "Excess Sale Proceeds"), the Borrower shall within 12 calendar months of the date on which such Net Proceeds exceeded any such limitation, cause an amount equal to such Excess Sale Proceeds to be applied (x) to the acquisition of assets in replacement of the assets so disposed of or of assets which may be productively used in the United States of America or Canada in the conduct of the Business, or (y) to the extent not applied pursuant to the immediately preceding clause (x), to offer to make prepayments on the Private Placement Notes pursuant to Section 4C of the Note Purchase Agreement and the

Notes pursuant hereto and, allocated on the basis specified for such prepayments in the definition of Allocable Proceeds, to offer to repay other Parity Debt (other than Indebtedness under Section 7.19(ii) or that by its terms does not permit such offer to be made); and

(d) the Borrower shall have delivered to the Agent a Certificate of the Board of Directors of the General Partner, certifying that such sale or other disposition is for fair value and is in the best interests of the Borrower.

Notwithstanding the foregoing, Asset Sales shall not be deemed to include (1) any transfer of assets or issuance or sale of Capital Stock by the Borrower or any of its Subsidiaries to the Borrower or a Wholly-Owned Subsidiary of the Borrower, (2) any transfer of assets or issuance or sale of Capital Stock by the Borrower or any of its Subsidiaries to any Person in exchange for, or the Net Proceeds of which are applied within 12 months to the purchase of, other assets used in a line of business permitted under Section 7.25 and having a fair market value (as determined in good faith by the Board of Directors of the General Partner) not less than that of the assets so transferred or Capital Stock so issued or sold and (3) any transfer of assets pursuant to an Investment permitted by Section 7.22.

7.25 Business. The Borrower will not and will not permit any of its Subsidiaries to engage in any line of business if as a result thereof the Borrower and its Subsidiaries would not be principally and predominately engaged in the business of retail and wholesale propane sales and purchases of inventory, operation of related propane distribution networks and storage facilities and the acquisition, operation and maintenance of such facilities and related general and administrative operations, as more fully described in the Memorandum and subject in all respects to the provisions of clause (iii) of the proviso to Section 7.22(v).

7.26 Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, engage in any transaction with any Affiliate unless (i) (a) such transaction is on fair and reasonable terms that are no less favorable to the Borrower or such Subsidiary, as the case may be, than those which would be obtained in an arm's-length transaction from a Person other than an Affiliate and (b) such transaction is entered into in the ordinary course of business and pursuant to the reasonable requirements at the time of the Borrower's or such Subsidiary's operations, (ii) such transaction is in connection with the incurrence of Indebtedness pursuant to Section 7.19(v), (iii) such transaction is a Restricted Payment permitted by Section 7.23, (iv) such transaction involves performance under the Contribution Agreement (substantially in the form in effect on the Closing Date), (v) such transaction involves indemnification and contribution under Section _____ of the Partnership Agreement (as said section is in effect on the Closing Date), to the extent such indemnification or contribution arises from operations or activities in connection with the Business (including securities issuances in connection with funding the Business) or (vi) such transaction is a specific transaction described in the Registration Statement.

7.27 Subsidiary Stock and Indebtedness.

(i) The Borrower will not permit any of its Subsidiaries directly or indirectly to issue or sell any Equity Interest of such Subsidiary of the Borrower to any Person other than the Borrower or a Wholly-Owned Subsidiary of the Borrower except (a) for the purpose of qualifying directors or (b) in satisfaction of pre- emptive rights of holders of minority interests which are triggered by an issuance of Equity Interests to the Borrower or a Subsidiary of the Borrower and permit such holders to maintain their pro rata interests.

(ii) The Borrower will not directly or indirectly sell, assign, pledge or otherwise dispose of any Equity Interest in or any Indebtedness of any of its Subsidiaries, and will not permit any of its Subsidiaries directly or indirectly to sell, assign, pledge or otherwise dispose of any Equity Interest in or any Indebtedness of any other Subsidiary of the Borrower except to the Borrower or a Wholly-Owned Subsidiary of the Borrower, unless (a) simultaneously with such sale, transfer or disposition, all of the Equity Interests (other than an Equity Interest representing less than 2% of the outstanding Equity Interests of all classes of such Subsidiary taken together, provided that such Equity Interest is considered an Investment pursuant to Section 7.22(v) and is permitted thereunder) or Indebtedness of such Subsidiary owned by the Borrower and its Subsidiaries is sold, transferred or disposed of as an entirety, (b) the Board of Directors of the GP shall have determined, as evidenced by a resolution thereof, that the proposed sale, transfer or disposition of such Equity Interests or Indebtedness is in the best interests of the Borrower, (c) such Equity Interests or Indebtedness are sold, transferred or otherwise disposed of for cash or Cash Equivalents or other assets used in a line of business permitted by Section 7.25 and having a fair market value (as determined in good faith by the Board of Directors of the GP) not less than that of the Equity Interests or Indebtedness so transferred, to a Person upon terms deemed by the Board of Directors of the GP to be acceptable, (d) the Subsidiary being sold, transferred or otherwise disposed of shall not have any continuing investment in the Borrower or any Subsidiary of the Borrower not being so sold, transferred or disposed and (e) such sale, transfer or disposition is permitted by Section 7.24.

7.28 Payment of Dividends by Subsidiaries. The Borrower will not, and will not permit any of its Subsidiaries to, be subject to or enter into any agreement which restricts the ability of any Subsidiary of the Borrower to declare or pay any dividend to the Borrower, to make any distribution on any Equity Interest of such Subsidiary to the Borrower, or to lend money to the Borrower.

7.29 Sales of Receivables. The Borrower will not, and will not permit any of its Subsidiaries to, discount, pledge, sell (with or without recourse), or otherwise sell for less than face value thereof any of its accounts or notes receivable, except for sales of receivables (i) without recourse which are seriously past due and which have been substantially written off as uncollectible or collectible only after extended delays, or (ii) made in connection with the sale of a business but only with respect to the receivables directly generated by the business so sold.

7.30 Material Agreements; Tax Status. The Borrower will not:

(i) amend or directly or indirectly modify in any manner the substantive effect of the provisions of Section _____, or the definitions of "Lenders' Portion" or "Designated Net Proceeds" of the Note Purchase Agreement or any similar provisions of any agreement applicable to any extensions, renewals or refundings thereof as Parity Debt under the provisions of Section 7.19(ii) or Section 7.19(iii);

(ii) amend or modify in any manner adverse to the holder of the Private Placement Notes, or grant any waiver or release under (if such action shall be adverse to the holders of the Private Placement Notes), any Partnership Document, any notes evidencing Parity Debt or any agreement relating to Parity Debt or terminate in any manner any Partnership Document, it being understood, without limitation, that no modification that reduces principal, interest or fees, premiums, make-wholes or penalty charges, or extends any scheduled or mandatory payment, prepayment or redemption of principal or interest, or makes less restrictive any agreement or waives any condition precedent or default shall be adverse to the holders of the Private Placement Notes for

purposes of this Agreement (the provisions of this clause (ii) being herein called the "Correlative Amendment Provisions"); or

(iii) permit the Partnership or the Borrower to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes.

The Correlative Amendment Provisions included in clause (ii) shall (x) not apply to any Incorporated Provision and (y) be of no force and effect at such time as, but only for so long as, none of the provisions of Section ____ of the Note Purchase Agreement (or any similar provisions) shall be included in any agreement providing for or relating to any Parity Debt (as evidenced by a notice from the Borrower to all the holders of the Notes setting forth the relevant facts and circumstances) provided only that no financial accommodations shall have been extended to any holders of Parity Debt, or further or more restrictive covenants on the Borrower or its Subsidiaries were agreed to, in connection with the provisions of said Section _____ thereof (or any such similar provisions) ceasing to be applicable as aforesaid.

7.31 Available Cash Reserves. The Borrower will maintain an amount of cash reserves that is necessary or appropriate in the reasonable discretion of the Board of Directors of the GP to (i) provide for the proper conduct of the business of the Borrower and its Subsidiaries (including reserves for future capital expenditures) subsequent to such quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Borrower or any Subsidiary is a party or by which it is bound or its assets are subject and (iii) provide funds for distributions to partners of the Heritage Propane and the general partner thereof in respect of any one or more of the next four (4) quarters; provided that the Board of Directors of the GP need not establish cash reserves pursuant to clause (iii) if the effect of such reserves would be that Heritage Propane is unable to distribute the minimum quarterly distribution on all Common Units with respect to such quarter; and provided, further, that disbursements made by the Borrower or a Subsidiary or cash reserves established, increased or reduced after the end of such quarter but on or before the date of determination of Available Cash with respect to such quarter shall be deemed to have been made, established, increased or reduced for purposes of determining Available Cash, within such quarter if the Board of Directors of the Borrower so determines. In addition, without limitation or duplication of the foregoing, Available Cash for any fiscal quarter shall reflect an amount of cash reserves equal to (x) 50% of the interest projected to be paid on the Private Placement Notes in the next succeeding fiscal quarter, plus (y) beginning with a date three fiscal quarters before a scheduled principal payment date on the Private Placement Notes, 25% of the aggregate principal amount thereof due on any such payment date in the third succeeding fiscal quarter, 50% of the aggregate principal amount due on any such payment date in the second succeeding fiscal quarter and 75% of the aggregate principal amount due on any quarterly payment date in the next succeeding fiscal quarter, plus (z) the Unused Proceeds Reserve as of the date of determination; provided that the foregoing reserves for amounts to be paid on the Private Placement Notes shall be reduced by the aggregate amount of advances available to the Borrower from the Banks under the Revolver Working Capital Facility including Letters of Credit (which are subject to no conditions which the Borrower is unable to meet), in each case to be used to refinance such amounts to the extent such amounts could be borrowed and remain outstanding under Sections 7.19 and 7.18(ii).

7.32 Parity Debt.

(i) The Borrower shall ensure that the lenders from time to time in respect of any Indebtedness outstanding as permitted by clauses (i) (other than the Notes), (ii) and (iii) of Section 7.19 shall, in the documents governing the terms of such Indebtedness, (a)

recognize the existence and validity of the obligations represented by the Notes and (b) agree to refrain from making or asserting any claim that the Financing Documents or the obligations represented by the Notes are invalid or not enforceable in accordance with its and their terms as a result of the circumstances surrounding the incurrence of such obligations.

(ii) Each holder of Notes from time to time (a) acknowledges the existence and validity of the obligations of the Borrower under the Note Purchase Agreement (and any replacement, extension, renewal, refunding or refinancing thereof permitted by clause (ii) or (iii) of Section 7.20, as the case may be) and (b) agrees to refrain from making or asserting any claim that such obligations or the instruments governing the terms thereof are invalid or not enforceable in accordance with its and their terms as a result of the circumstances surrounding the incurrence of such obligations.

7.33 Change of Fiscal Year. The Borrower will not change its fiscal year from its present fiscal year.

7.34 Partnership Agreement/Articles of Incorporation; By-Laws and Assumed Names. The Borrower will not amend, alter, modify or restate its Partnership Agreement or Certificate in any way which would change the partnership name. The Borrower will not adopt a trade name therefor in any manner adversely affect the Borrower's obligations or covenants to the Bank hereunder.

7.35 Payment of Indebtedness. The Borrower hereby agrees to pay, when due and owing, all Indebtedness, whether by the Notes, the Private Placement Notes or otherwise.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES

To induce the Banks to enter into this Agreement and to make the Revolving Credit Loans and the Acquisition Loans to the Borrower under the provisions hereof, and in consideration thereof, the Borrower represents, warrants and covenants as follows:

8.1 Organization and Qualification. The Borrower is duly organized, validly existing, and in good standing as a limited partnership under the Laws of Delaware and is duly registered and in good standing as a limited partnership in each jurisdiction in which the nature of the business transacted or the property owned is such as to require registration as such.

8.2 Litigation. Except for the actions described on Exhibit G attached hereto, there is no action, suit, investigation or proceeding threatened or pending before any Tribunal against or affecting the Borrower or any properties or rights of the Borrower which, if adversely determined, would result in a liability of greater than $250,000 or would otherwise result in any material adverse change in the business or condition, financial or otherwise, of either of the Borrower. The Borrower is not in default with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Tribunal.

8.3 Financial Statements. The Borrower's most recent consolidated audited financial statements which have been furnished to the Banks have been prepared in conformity with GAAP, together with the contingent liabilities described on Exhibit H attached hereto, show all material liabilities, direct and contingent, and fairly present the financial condition of the Borrower as of the date of such statements and the results of their operations for the period then ended, and since

the date of such statements there has been no material adverse change in the business, financial condition or operations of the Borrower.

8.4 Conflicting Agreements and Other Matters. The Borrower is not in material default in the performance of any obligation, covenant, or condition in any agreement to which it is a party or by which it is bound. The Borrower is not a party to any contract or agreement or subject to any charter or other partnership restriction which materially and adversely affects their respective business, property or assets, or financial condition. The Borrower is not a party to or otherwise subject to any contract or agreement which restricts or otherwise affects the right or ability of the Borrower to execute the Loan Documents or the performance of any of their respective terms. Neither the execution nor delivery of any of the Loan Documents, nor fulfillment of nor compliance with their respective terms and provisions will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien (except those created by the Loan Documents) upon any of the properties or assets of the Borrower pursuant to, or require any consent, approval or other action by or any notice to or filing with any Tribunal (other than routine filings after the Closing Date with the Securities and Exchange Commission, any securities exchange and/or state blue sky authorities) pursuant to, the charter or By-Laws of the Borrower, any award of any arbitrator, or any agreement, instrument or Law to which the Borrower is subject.

8.5 Authorization. The GP of the Borrower has duly authorized the execution and delivery of each of the Loan Documents and the performance of their respective terms. No other consent of any other Person, except for the Banks (and insofar as the Security Documents and Intercreditor Agreement are concerned, the Collateral Agent and the Purchasers), is required as a prerequisite to the validity and enforceability of the Loan Documents.

8.6 Purposes. The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System) and no part of the proceeds of any borrowing hereunder will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock. If requested by the Banks, the Borrower will furnish to the Bank a statement in conformity with the requirements of Federal Reserve Form U-1, referred to in Regulation U, to the foregoing effect. Neither the Borrower nor any agent acting on its behalf has taken or will take any action which might cause this Agreement or the Notes to violate any regulation of the Board of Governors of the Federal Reserve System (including Regulations G, T, U and X) or to violate any securities laws, state or federal, in each case as in effect now or as the same may hereafter be in effect.

8.7 Compliance with Applicable Laws. Except as disclosed on Exhibit I the Borrower are in material compliance with all Laws, ordinances, rules, regulations and other legal requirements applicable to them and the business conducted by them, the violation of which could or would have a material adverse effect on their business or condition, financial or otherwise. Neither the ownership of any capital stock of the Borrower, nor any continued role of any Person in the management or other affairs of the Borrower (i) will result or could result in the Borrower's noncompliance with any Laws, ordinances, rules, regulations and other legal requirements applicable to the Borrower, or (ii) could or would have a material adverse effect on the business or condition, financial or otherwise, of the Borrower.

8.8 Possession of Franchises, Licenses. The Borrower possesses all franchises, certificates, licenses, permits and other authorizations from governmental political subdivisions or regulatory authorities, free from burdensome restrictions, that are necessary in any material

respect for the ownership, maintenance and operation of their respective properties and assets, and the Borrower is not in violation of any thereof in any material respect.

8.9 Leases, Easements and Rights of Way. The Borrower enjoys peaceful and undisturbed possession of all leases, easements and rights of way necessary in any material respect for the operation of their respective properties and assets, none of which contains any unusual or burdensome provisions which might materially affect or impair the operation of such properties and assets. All such leases, easements and rights of way are valid and subsisting and are in full force and effect.

8.10 Taxes. The Borrower has filed all Federal, state and other income tax returns which are required to be filed and have paid all Taxes, as shown on said returns, and all Taxes due or payable without returns and all assessments received to the extent that such Taxes or assessments have become due, except for such tax liabilities listed on Exhibit J attached hereto. All Tax liabilities of the Borrower are adequately provided for on the books of the Borrower, including interest and penalties. No income tax liability of a material nature has been asserted by taxing authorities for Taxes in excess of those already paid.

8.11 Disclosure. Neither this Agreement nor any other Loan Document or writing furnished to the Banks by or on behalf of the Borrower in connection herewith contains any untrue statement of a material fact nor do such Loan Documents and writings, taken as a whole, omit to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact known to the Borrower and not reflected in the financial statements or exhibits hereto provided to the Banks which materially adversely affects or in the future may materially adversely affect the business, property, or assets, or financial condition of the Borrower which has not been set forth in this Agreement, in the Loan Documents or in other documents furnished to the Banks by or on behalf of the Borrower prior to the date hereof in connection with the transactions contemplated hereby.

8.12 Investment Company Act/Public Utility Holding Company Act Representations. The Borrower is not (i) an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended or (ii) a "public utility holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended and the rules thereunder other than Section 9(a)(2) thereof based upon the filing by Heritage Propane and Heritage with the Commission of an exemption application on ______________, 1996 and prior orders issued by the Commission.

8.13 ERISA. Since the effective date of Title IV of ERISA, no Reportable Event has occurred with respect to any Plan. For

the purposes of this section the term "Reportable Event" shall mean an event described in Section 4043(b) of ERISA. For the purposes hereof the term "Plan" shall mean any plan subject to Title IV of ERISA and maintained for employees of the Borrower, or of any member of a controlled group of corporations, as the term "controlled group of corporations" is defined in Section 1563 of the Internal Revenue Code of 1986, as amended (the "Code"), of which the Borrower is a part. Each Plan established or maintained by the Borrower is in material compliance with the applicable provisions of ERISA, and the Borrower has filed all reports required by ERISA and the Code to be filed with respect to each Plan. The Borrower has met all requirements with respect to funding Plans imposed by ERISA or the Code. Since the effective date of Title IV of ERISA there have not been any nor are there now existing any events or conditions that would permit any Plan to be terminated under circumstances which would cause the lien provided under Section 4068 of ERISA to attach to the assets of the Borrower. The value of each Plan's benefits guaranteed under Title IV of ERISA on the date hereof does not exceed the value of such Plan's assets allocable to such benefits on the date hereof.

8.14 Fiscal Year. The fiscal year of the Borrower ends as of __________________ of each year.

8.15 Title to Properties; Authority. Borrower has full power, authority and legal right to own and operate the properties which they now own and operate, and to carry on the lines of business in which it is now engaged, and have good and marketable and/or defensible title to the Collateral subject to no Lien of any kind except Liens permitted by this Agreement and except such encumbrances, imperfections and failures (including, without limitation, abandonment by operation of law or contract) of title, if any, as are not substantial in character, amount or extent and do not materially interfere with the present or proposed use of any such portion of the Collateral. Borrower has full power, authority and legal right to execute and deliver and to perform and observe the provisions of this Agreement and the other Loan Documents. Borrower further represents to the Bank that any and all after acquired interest in any one or more of the Collateral being concurrently or subsequently assigned of record to Borrower is and shall be deemed encumbered in all respects by the Security Documents.

8.16 Environmental Representations. To the best of Borrower's knowledge and belief, upon reasonable and good faith inquiry exercised with due diligence:

(a) Except for those items described on Exhibit K attached hereto, the Borrower is not subject to any liability or obligation relating to (i) the environmental conditions on, under or about the Collateral, including, without limitation, the soil and ground water conditions at the location of the Borrower's properties, or (ii) the use, management, handling, transport, treatment, generation, storage, disposal, release or discharge of any Polluting Substance;

(b) The Borrower has not obtained nor is Borrower required to obtain or make application for any permits, licenses or similar authorizations to construct, occupy, operate or use any buildings, improvements, facilities, fixtures and equipment forming a part of the Collateral by reason of any Environmental Laws;

(c) Borrower has taken all steps necessary to determine and has determined that no Polluting Substances have been disposed of or otherwise released on, onto, into, or from the Collateral (the term "release" shall have the meanings specified in CERCLA/SARA, and the term "disposal" or "disposed" shall have the meanings specified in RCRA/HSWA; provided, in the event either CERCLA/SARA or RCRA/HSWA is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment and provided further, to the extent that the laws of any State or Tribunal establish a meaning for "release," "disposal" or "disposed" which is broader than that specified in CERCLA/SARA, RCRA/HSWA or other Environmental Laws, such broader meaning shall apply);

(d) There are no PCB's or asbestos-containing materials, whether in the nature of thermal insulation products such as pipe boiler or breech coverings, wraps or blankets or sprayed-on or trowelled-on products in, on or upon the Collateral; and

(e) There is no urea formaldehyde foam insulation ("UFFI") in, on or upon the Collateral.

8.17 Matters Relating to the General Partner. Immediately after the Transactions, the ownership of the Borrower, Heritage and Heritage Propane shall be, in all material respects, as described in the Registration Statement. Heritage will own, in addition to the interest described in Section 8.2, a 1% general partnership interest and 3,702,943 Subordinated Units, representing a 47.0% limited partnership interest in Heritage Propane, if no overallotment option is exercised by the Underwriters or representing a 43.6% limited partnership interest in Heritage Propane, if the overallotment option is exercised in full by the Underwriters.

ARTICLE IX

EVENTS OF DEFAULT

9.1 Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default hereunder (whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of Law or otherwise):

(a) The Borrower shall fail to make any payment or prepayment of principal or interest upon any of the Notes, or fail to pay any other Indebtedness within five (5) days after the same shall become due and payable (whether by extension, renewal, acceleration or otherwise); or

(b) Any representation or warranty of the Borrower made herein or in any writing furnished in connection with or pursuant to any of the Loan Documents shall have been false or misleading in any material respect on the date when made and continues to have a material adverse effect on one or more of the Borrower or their respective financial capacity or business operations; or

(c) The Borrower shall fail to duly observe, perform or comply with any covenant, agreement or term (other than payment provisions which are governed by Section 9.1(a) hereof) contained in this Agreement or any of the Loan Documents and such default or breach shall have not been cured or remedied within the earlier of thirty (30) days after any of the Borrower shall know (or should have known) of its occurrence or twenty (20) days following receipt of notice thereof from the Agent or the Banks; or

(d) The Borrower shall default in the payment of principal or of interest on any other obligation for money borrowed or received as an advance (or any obligation under any conditional sale or other title retention agreement, or any obligation issued or assumed as full or partial payment for property whether or not secured by purchase money Lien, or any obligation under notes payable or drafts accepted representing extensions of credit), including without limitation, the Private Placement Notes and the Note Purchase Agreement, which in aggregate exceeds $200,000 beyond any grace period provided with respect thereto, or shall default in the performance of any other agreement, term or condition contained in any agreement under which such obligation is created (or if any other default under any such agreement shall occur and be continuing beyond any period of grace provided with respect thereto) if the effect of such default is to cause the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to accelerate the due date of such obligation prior to its scheduled date of maturity; or

(e) Any of the following: (i) the Borrower shall become insolvent or unable to pay its debts as they mature, make an assignment for the benefit of creditors or admit in writing its inability to pay its debts generally as they become due or fail generally to pay its debts as they mature; or (ii) an order, judgment or decree is entered adjudicating the

Borrower bankrupt or insolvent which is not dismissed within sixty (60) days of the date of its entry; or (iii) the Borrower shall petition or apply to any Tribunal for the appointment of a trustee, receiver, custodian or liquidator of the Borrower or of any substantial part of the assets of the Borrower, or shall commence any proceedings relating to the Borrower under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debts, dissolution, or liquidation Law of any jurisdiction, whether now or hereafter in effect; or (iv) any such petition or application shall be filed, or any such proceedings shall be commenced, of a type described in subsection (iii) above, against the Borrower and the Borrower by any act shall indicate its approval thereof, consent thereto or acquiescence therein, or an order, judgment or decree shall be entered appointing any such trustee, receiver, custodian or liquidator, or approving the petition in any such proceedings, and such order, judgment or decree shall remain unstayed and in effect, if being vigorously contested, for more than sixty (60) days; or (v) any order, judgment or decree shall be entered in any proceedings against the Borrower decreeing the dissolution of the Borrower and such order, judgment or decree shall remain unstayed and in effect for more than thirty (30) days; or (vi) any final order, judgment or decree shall be entered in any proceedings against the Borrower decreeing a split-up of the Borrower which requires the divestiture of a substantial part of the assets of the Borrower, and such order, judgment or decree shall remain unstayed and in effect for more than sixty (60) days; or (vii) the Borrower shall fail to make timely payment or deposit of any amount of tax required to be withheld by the Borrower and paid to or deposited to or to the credit of the United States of America pursuant to the provisions of the Internal Revenue Code of 1986, as amended, in respect of any and all wages and salaries paid to employees of the Borrower; or

(f) Any final judgment on the merits for the payment of money in an amount in excess of $250,000 shall be outstanding against the Borrower, and such judgment shall remain unstayed and in effect and unpaid for more than thirty (30) days; or

(g) Any Reportable Event described in Section 8.13 hereof which the Banks determine in good faith might constitute grounds for the termination of a Plan therein described or for the appointment by the appropriate United States District Court of a trustee to administer any such Plan shall have occurred and be continuing thirty (30) days after written notice to such effect shall have been given to any of the Borrower by the Banks, or any such Plan shall be terminated, or a trustee shall be appointed by a United States District Court to administer any such Plan or the Pension Benefit Guaranty Corporation shall institute proceedings to terminate any such Plan or to appoint a trustee to administer any such Plan; or

(h) Any default or event of default occurs and is continuing beyond any cure period with respect thereto under any of the other Loan Documents, including without limitation, the Security Documents.

9.2 Remedies. Upon the occurrence of any Event of Default referred to in Section 9.1(e) the Commitments shall immediately terminate and the Notes and all other Indebtedness shall be immediately due and payable, without further notice of any kind. Upon the occurrence of any other Event of Default, and without prejudice to any right or remedy of the Banks under this Agreement or the Loan Documents or under applicable Law of under any other instrument or document delivered in connection herewith, the Banks may (i) declare the Commitments terminated or (ii) declare the Commitments terminated and declare the Notes and the other Indebtedness, or any part thereof, to be forthwith due and payable, whereupon the Notes and the other Indebtedness, or such portion as is designated by the Banks shall forthwith become due and payable, without presentment, demand, notice or protest of any kind, all of which are hereby

expressly waived by the Borrower. No delay or omission on the part of the Banks in exercising any power or right hereunder or under the Notes, the Loan Documents or under applicable law shall impair such right or power or be construed to be a waiver of any default or any acquiescence therein, nor shall any single or partial exercise by the Banks of any such power or right preclude other or further exercise thereof or the exercise of any other such power or right by the Banks. In the event that all or part of the Indebtedness becomes or is declared to be forthwith due and payable as herein provided, the Banks shall have the right to set off the amount of all the Indebtedness of the Borrower owing to the Banks against, and shall have, and is hereby granted by the Borrower, a lien upon and security interest in, all property of each of the Borrower in the Banks' possession at or subsequent to such default, regardless of the capacity in which the Banks possess such property, including but not limited to any balance or share of any deposit, collection or agency account. After Default all proceeds received by the Banks may be applied to the Indebtedness in such order of application and such proportions as the Banks, in their discretion, shall choose. At any time after the occurrence of any Event of Default, the Banks may, at their option, cause an audit of any and/or all of the books, records and documents of the Borrower to be made by auditors satisfactory to the Banks at the expense of the Borrower. The Banks also shall have, and may exercise, each and every right and remedy granted to them for default under the terms of the Security Documents and the other Loan Documents.

ARTICLE X

LOAN OPERATIONS

10.1 Interests in Loans/Commitments. The percentage interest of each Bank in the Loans and Letters of Credit, and the related Commitments, shall be computed based on the maximum principal amount for each Bank as follows:

Bank	Maximum Principal Amount	Percentage Interest
BOk	$ 20,000,000	40.00%
Bank One	$ 15,000,000	30.00%
Mercantile	$ 15,000,000	30.00%
Total	$ 50,000,000	100.00%

The foregoing percentage interests, as from time to time in effect and reflected in the Register, are referred to as the "Percentage Interests" with respect to all or any portion of the Loans and Letters of Credit, and the related Commitments.

10.2 Agent's Authority to Act. Each of the Banks appoints and authorizes BOk to act for the Banks as the Banks' administrative agent (the "Agent") in connection with the transactions contemplated by this Agreement and the other Loan Documents on the terms set forth herein. In acting hereunder, the Agent is acting for the account of BOk to the extent of its Percentage Interest and for the account of each other Bank to the extent of the Banks' respective Percentage Interests, and all action in connection with the enforcement of, or the exercise of any remedies (other than the Banks' rights of set-off as provided herein or in any other Loan Document) in respect of the Loans and the Indebtedness shall be taken by the Agent.

10.3 Borrower to Pay Agent. The Borrower shall be fully protected in making all payments in respect of the Notes evidencing Indebtedness to the Agent, in relying upon consents, modifications and amendments executed by the Agent purportedly on the Banks' behalf, and in

dealing with the Agent as herein provided. Upon three (3) Business Days notice, the Agent may charge the accounts of the Borrower, on the dates when the amounts thereof become due and payable, with the amounts of the principal of and interest on the Loans, including any amounts paid by the Agent to third parties under Letters of Credit or drafts presented thereunder, commitment fees, Letter of Credit issuance fees and processing/application fees pertaining thereto and all other fees and amounts owing under any Loan Document.

10.4 Bank Operations for Advances, Letters of Credit.

10.4.1 Advances. On each Closing Date, each Bank shall advance to the Agent in immediately available funds such Bank's Percentage Interest in the portion of a Loan advanced on such Closing Date prior to 12:00 noon (Tulsa, Oklahoma time). If such funds are not received at such time, but all applicable conditions set forth in Article VII have been satisfied, each Bank authorizes and requests the Agent to advance for the Bank's account, pursuant to the terms hereof, the Bank's respective Percentage Interest in such portion of such Loan and agrees to reimburse the Agent in immediately available funds for the amount thereof prior to 2:00 p.m. (Tulsa, Oklahoma time) on the day any portion of such Loan is advanced hereunder; provided, however, that the Agent is not authorized to make any such advance for the account of any Bank who has previously notified the Agent in writing that such Bank will not be performing its obligations to make further advances hereunder; and provided, further, that the Agent shall be under no obligation to make any such advance.

10.4.2 Letters of Credit. Each of the Banks authorizes and requests the Issuing Bank to issue the Letters of Credit provided for in Section 2.6 and agrees to purchase a participation in each of such Letters of Credit in an amount equal to its Percentage Interest in the amount of each such Letter of Credit. Promptly upon the request of the Agent, each Bank shall reimburse the Agent in immediately available funds for such Bank's Percentage Interest in the amount of all obligations to third parties incurred by the Agent in respect of each Letter of Credit and each draft accepted under a Letter of Credit to the extent not timely reimbursed by the Borrower. The Agent will notify each Bank of the issuance of any Letter of Credit, the amount and date of payment of any draft drawn or accepted under a Letter of Credit and whether in connection with the payment of any such draft the amount thereof was added to the Revolving Credit Loan or was reimbursed by the Borrower.

10.4.3 Agent to Allocate Payments. All payments of principal and interest in respect of the extensions of credit made pursuant to this Agreement, reimbursement of amounts paid by the Agent to third parties under Letters of Credit or drafts presented thereunder, commitment fees, Letter of Credit issuance fees and other fees under this Agreement (except for the standard Issuing Bank's Letter of Credit application/processing fees and any Agent fees pursuant to Section 10.8. hereof) which shall not be shared by the Banks shall, as a matter of convenience, be made by the Borrower to the Agent in immediately available funds. The share of each Bank shall be credited to such Bank by the Agent in immediately available funds in such manner that the principal amount of the Loans constituting Indebtedness to be paid shall be paid proportionately in accordance with the Banks' respective Percentage Interests in such Loans, except as otherwise provided in this Agreement. Under no circumstances shall any Bank be required to produce or present its Notes as evidence of its interests in the Loans constituting Indebtedness in any action or proceeding relating to the Loans constituting Indebtedness.

10.4.4 Delinquent Banks; Nonperforming Banks. In the event that any Bank fails to reimburse the Agent pursuant to Section 10.4.1 for the Percentage Interest of such Bank (a "Delinquent Bank") in any credit advanced by the Agent pursuant hereto, overdue amounts (the "Delinquent Payment") due from the Delinquent Bank to the Agent shall bear interest, payable by the Delinquent Bank on demand, at a per annum rate equal to (a) the Federal Funds Rate for

the first three days overdue and (b) the sum of two percentage points (2%) plus the Federal Funds Rate for any longer period. Such interest shall be payable to the Agent for its own account for the period commencing on the date of the Delinquent Payment and ending on the date the Delinquent Bank reimburses the Agent on account of the Delinquent Payment (to the extent not paid by the Borrower as provided below) and the accrued interest thereon (the "Delinquency Period"), whether pursuant to the assignments referred to below or otherwise. Upon notice by the Agent, the Borrower will pay to the Agent the principal (but not the interest) portion of the Delinquent Payment. During the Delinquency Period, in order to make reimbursements for the Delinquent Payment and accrued interest thereon, the Delinquent Bank shall be deemed to have assigned to the Agent all interest, commitment fees and other payments made by the Borrower under Articles II and/or III hereof that would have thereafter otherwise been payable under the Loan Documents to the Delinquent Bank. During any other period in which any Bank is not performing its obligations to extend credit under Articles II and/or III hereof (a "Nonperforming Bank"), the Nonperforming Bank shall be deemed to have assigned to each Bank that is not a Nonperforming Bank (a "Performing Bank") all principal and other payments made by the Borrower that would have thereafter otherwise been payable thereunder to the Nonperforming Bank. The Agent shall credit a portion of such payments to each Performing Bank in an amount equal to the Percentage Interest of such Performing Bank in an amount equal to the Percentage Interest of such Performing Bank divided by one minus the Percentage Interest of the Nonperforming Bank until the respective portions of the Loans owed to all the Banks are the same as the Percentage Interests of the Banks immediately prior to the failure of the Nonperforming Bank to perform its obligations under Articles II and/or III hereof. The foregoing provisions shall be in addition to any other remedies the Agent, the Performing Banks or the Company may have under law or equity against the Delinquent Bank as a result of the Delinquent Payment or against the Nonperforming Bank as a result of its failure to perform its obligations under Articles II and/or III hereof.

10.5 Sharing of Payments. To the extent permitted by applicable Laws and subject to the provisions of the Intercreditor Agreement, each Bank agrees that (a) if by exercising any right of set-off or counterclaim or otherwise, it shall receive payment of (i) a proportion of the aggregate amount due with respect to its Percentage Interest in the Loans and Letter of Credit Exposure which is greater than (ii) the proportion received by any other Bank in respect of the aggregate amount due with respect to such other Bank's Percentage Interest in the Loans and Letter of Credit Exposure and (b) if such inequality shall continue for more than ten (10) days, the Bank receiving such proportionately greater payment shall purchase participations in the Percentage Interests in the Loans and Letter of Credit Exposure held by the other Banks, and such other adjustments shall be made from time to time (including rescission of such purchases of participations in the event the unequal payment originally received is recovered from such Bank through bankruptcy proceedings or otherwise), as may be required so that all such payments of principal and interest with respect to the Loans and Letter of Credit Exposure held by the Banks shall be shared by the Banks pro rata in accordance with their respective Percentage Interests; provided, however, that this Section 10.5 shall not impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of Indebtedness of Borrower other than Borrower's Indebtedness with respect to the Loans and Letter of Credit Exposure. Each Bank that grants a participation in the Loans and Commitments to a Participant shall require as a condition to the granting of such participation that such Participant agree to share payments received in respect of the Indebtedness as provided in this Section 10.5. The provisions of this Section 10.5 are for the sole and exclusive benefit of the Banks and no failure of any Bank to comply with the terms hereof shall be available to either Borrower as a defense to the payment of the Loans and Commitments.

10.6 Amendments, Consents, Waivers. Except as otherwise set forth herein, the Agent may (and upon the written request of the Required Banks the Agent shall) take or refrain from

taking any action under this Agreement or any other Loan Document, including giving its written consent to any modification of or amendment to and waiving in writing compliance with any covenant or condition in this Agreement or any other Loan Document or any Default or Event of Default, all of which actions shall be binding upon all of the Banks; provided, however, that:

(a) Except as provided below, without the written consent of the Banks owning at least a majority of the Percentage Interests (other than Delinquent Banks during the existence of a Delinquency Period so long as such Delinquent Bank is treated the same as the other Banks with respect to any actions enumerated below), no written modification of, amendment to, consent with respect to, waiver of compliance with or waiver of a Default under, any of the Loan Documents shall be made.

(b) Without the written consent of the Borrowers and Banks owning at least two thirds of the Percentage Interests (other than Delinquent Banks during the existence of a Delinquency Period so long as such Delinquent Bank is treated the same as the other Banks with respect to any actions enumerated below), no written modification of, amendment to, consent with respect to, waiver of compliance with or waiver of a Default under, Sections 7.18 through 7.32, the related defined terms or this Section 10.6(b) shall be made.

(c) Without the written consent of the Borrowers and such Banks as own 100% of the Percentage Interests (other than Delinquent Banks during the existence of a Delinquency Period so long as such Delinquent Bank is treated the same as the other Banks with respect to any actions enumerated below):

(i) No reduction shall be made in (A) the amount of principal of any of the Loans or reimbursement obligations for payments made under Letters of Credit, (B) the interest rate on the Loans or (C) the Letter of Credit issuance fees (excluding, however, Letter of Credit processing/application fees, the amount of which shall be within the sole discretion of the Issuing Bank) or commitment (non- usage) fees.

(ii) No change shall be made in the stated time of payment of all or any portion of any of the Loans or interest thereon or reimbursement of payments made under Letters of Credit or fees relating to any of the foregoing payable to all of the Banks and no waiver shall be made of any Default under Section 9.1(a).

(iii) No increase shall be made in the amount, or extension of the term, of the Commitments beyond that provided for under Articles II and III.

(iv) Except as otherwise provided in the Intercreditor Agreement, no alteration shall be made of the Banks' rights of set-off contained herein or in the other Loan Documents.

(v) Except as otherwise provided in the Intercreditor Agreement, no release of any Collateral shall be made (except that the Collateral Agent may release particular items of Collateral in dispositions permitted by the Security Documents in accordance with the terms and provisions of the Intercreditor Agreement and may release all Collateral upon payment in full of the Loans evidenced by the Notes and termination of the Commitments together with payment of all of the Private Placement Notes without the written consent of the Banks).

(vi) No amendment to or modification of this Section 10.6(c) shall be made.

10.7 Agent's Resignation. The Agent may resign at any time by giving at least 30 days' prior written notice of its intention to do so to each other of the Banks and the Borrower and upon the appointment by the Required Banks of a successor Agent satisfactory to the Borrower. If no successor Agent shall have been so appointed and shall have accepted such appointment within 45 days after the retiring Agent's giving of such notice of resignation, then the retiring Agent may with the consent of the Borrower, which shall not be unreasonably withheld, appoint a successor Agent which shall be a bank or a trust company organized under the laws of the United States of America or any state thereof and having a combined capital, surplus and undivided profit of at least $50,000,000; provided, however, that any successor Agent appointed under this sentence may be removed upon the written request of the Required Banks, which request shall also appoint a successor Agent satisfactory to the Borrower. Upon the appointment of a new Agent hereunder, the term "Agent" shall for all purposes of this Agreement thereafter mean such successor. After any retiring Agent's resignation hereunder as Agent, or the removal hereunder of any successor Agent, the provisions of this Agreement shall continue to inure to the benefit of such Agent as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

10.8 Concerning the Agent.

10.8.1 Action in Good Faith. The Agent and its officers, directors, employees and agents shall be under no liability to any of the Banks or to any future holder of any interest in the Indebtedness for any action or failure to act taken or suffered in good faith, and any action or failure to act in accordance with an opinion of its counsel shall conclusively be deemed to be in good faith. The Agent shall in all cases be entitled to rely, and shall be fully protected in relying, on instructions given to the Agent by the Required Holders of the Notes evidencing the Indebtedness as provided in this Agreement.

10.8.2 No Implied Duties. The Agent shall have and may exercise such powers as are specifically delegated to the Agent under this Agreement or any other Loan Document together with all other powers incidental thereto. The Agent shall have no implied duties to any Person or any obligation to take any action under this Agreement or any other Loan Document except for action specifically provided for in this Agreement or any other Loan Document to be taken by the Agent. Before taking any action under this Agreement or any other Loan Document, the Agent may request an appropriate specific indemnity satisfactory to it from each Bank in addition to the general indemnity provided for in Section 10.11. Until the Agent has received such specific indemnity, the Agent shall not be obligated to take (although it may in its sole discretion take) any such action under this Agreement or any other Loan Document. Each Bank confirms that the Agent does not have a fiduciary relationship to it under the Loan Documents. The Borrower and its Subsidiaries party hereto confirm that neither the Agent nor any other Bank has a fiduciary relationship to it under the Loan Documents.

10.8.3 Validity. The Agent shall not be responsible to any Bank or any future holder of any interest in the Loans and Indebtedness (a) for the legality, validity, enforceability or effectiveness of this Agreement or any other Loan Document, (b) for any recitals, reports, representations, warranties or statements contained in or made in connection with this Agreement or any other Loan Document, (c) for the existence or value of any assets included in any security for the Loans and Indebtedness, (d) for the effectiveness of any Lien purported to be included in the Collateral, (e) for the specification or failure to specify any particular assets to be included in the Collateral, or (f) unless the Agent shall have failed to comply with Section 10.8.1, for the perfection of the security interests in the Collateral.

10.8.4 Compliance. The Agent shall not be obligated to ascertain or inquire as to the performance or observance of any of the terms of this Agreement or any other Loan Document; and in connection with any extension of credit under this Agreement or any other Loan Document,

the Agent shall be fully protected in relying on a certificates of the Borrower as to the fulfillment by the Borrower of any conditions to such extension of credit.

10.8.5 Employment Agents and Counsel. The Agent may execute any of its duties as Agent under this Agreement or any other Loan Document by or through employees, agents and attorneys-in-fact and shall not be responsible to any of the Banks, the Borrower for the default or misconduct of any such Agents or attorneys-in-fact selected by the Agent acting in good faith. The Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder or under any other Loan Document.

10.8.6 Reliance on Documents and Counsel. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any affidavit, certificate, cablegram, consent, instrument, letter, notice, order, document, statement, telecopy, telegram, telex or teletype message or writing reasonably believed in good faith by the Agent to be genuine and correct and to have been signed, sent or made by the Person in question, including any telephonic or oral statement made by such Person, and, with respect to legal matters, upon an opinion or the advice of counsel selected by the Agent.

10.8.7 Agent's Reimbursement. Each of the Banks severally agrees to reimburse the Agent, in the amount of such Bank's Percentage Interest, for any reasonable expenses not reimbursed by the Borrower (without limiting the obligation of the Borrower to make such reimbursement): (a) for which the Agent is entitled to reimbursement by the Borrower under this Agreement or any other Loan Document, and (b) after the occurrence of a Default, for any other reasonable expenses incurred by the Agent on the Banks' behalf in connection with the enforcement of the Banks' rights under this Agreement or any other Loan Document.

10.8.8 Agent's Fees. The Borrower shall pay to the Agent for its own account an Agent's fee in the amounts separately agreed to from time to time by the Borrower and the Agent.

10.9 Rights as a Bank. With respect to any Loan(s) or advance(s) extended by it hereunder, BOk shall have the same rights, obligations and powers hereunder as any other Bank and may exercise such rights and powers as though it were not the Agent, and unless the context otherwise specifies, BOk shall be treated in its individual capacity as though it were not the Agent hereunder. Without limiting the generality of the foregoing, the Percentage Interest of BOk shall be included in any computations of Percentage Interests. BOk and its Affiliates may accept deposits from, lend money to, act as trustee for and generally engage in any kind of banking or trust business with the Borrower, any of its Subsidiaries or any Affiliate of any of them and any Person who may do business with or own an equity interest in the Borrower, any of its Subsidiaries or any Affiliate of any of them, all as if BOk were not the Agent and without any duty to account therefor to the other Banks.

10.10 Independent Credit Decision. Each of the Banks acknowledges that it has independently and without reliance upon the Agent, based on the financial statements and other documents referred to in Section 8.3, on the other representations and warranties contained herein and on such other information with respect to the Borrower and its Subsidiaries as such Bank deemed appropriate, made such Bank's own credit analysis and decision to enter into this Agreement and to make the extensions of credit provided for hereunder. Each Bank represents to the Agent that such Bank will continue to make its own independent credit and other decisions in taking or not taking action under this Agreement or any other Loan Document. Each Bank expressly acknowledges that neither the Agent nor any of its officers, directors, employees, Agents, attorneys-in-fact or Affiliates has made any representations or warranties to such Bank, and no act by the Agent taken under this Agreement or any other Loan Document, including any review of the affairs of the Borrower and its Subsidiaries, shall be deemed to constitute any

representation or warranty by the Agent. Except for notices, reports and other documents expressly required to be furnished to each Bank by the Agent under this Agreement or any other Loan Document, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, condition, financial or otherwise, or creditworthiness of the Borrower or any Subsidiary which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

10.11 Indemnification. The holders of the Indebtedness shall indemnify the Agent and its officers, directors, employees and Agents (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), pro rata in accordance with their respective Percentage Interests, 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 be imposed on, incurred by or asserted against the Agent or such Persons relating to or arising out of this Agreement, any other Loan Document, the transactions contemplated hereby or thereby, or any action taken or omitted by the Agent in connection with any of the foregoing; provided, however, that the foregoing shall not extend to actions or omissions which are taken by the Agent with gross negligence or willful misconduct.

ARTICLE XI

ASSIGNMENTS/PARTICIPATIONS

11. Successors and Assigns; Bank Assignment and Participations. Any reference in this Agreement to any party hereto shall be deemed to include the successors and assigns of such party, and all covenants and agreements by or on behalf of the Borrower, the Agent or the Banks that are contained in this Agreement or any other Loan Documents shall bind and inure to the benefit of their respective successors and assigns; provided, however, that (a) the Borrower may not assign its rights or obligations under this Agreement except for mergers or liquidations permitted by Section 7.24, and (b) the Banks shall be not entitled to assign their respective Percentage Interests in the Loans evidenced by the Notes hereunder except as set forth below in this Section 11.

11.1 Assignments by Banks.

11.1.1 Assignees and Assignment Procedures. Each Bank may (a) without the consent of the Agent or the Borrower if the proposed assignee is already a Bank hereunder or a Wholly Owned Subsidiary of the same corporate parent of which the assigning Bank is a Subsidiary, or (b) otherwise with the consents of the Agent and (so long as no Event of Default exists) the Borrower (which consents will not be unreasonably withheld), in compliance with applicable laws in connection with such assignment, assign to one or more commercial banks or other financial institutions (each, an "Assignee") all or a portion of its interests, rights and obligations under this Agreement and the other Loan Documents, including all or a portion, which need not be pro rata among the Loans and the Letter of Credit Exposure, of its Commitments, the portion of the Loans and Letter of Credit Exposure at the time owing to it and the Notes held by it, but excluding its rights and obligations as an Agent; provided, however, that:

(i) the aggregate amount of the Commitments of the assigning Bank subject to each such assignment to any Assignee other than another Bank (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Agent) shall be not less than $1,000,000 and in increments of $500,000; and

(ii) the parties to each such assignment shall execute and deliver to the Agent an Assignment and Acceptance (the "Assignment and Acceptance") in the form satisfactory to the Agent and the Collateral Agent, together with the Note or Notes subject to such assignment and a processing and recordation fee of $500 payable to the Agent by the assigning Bank or the Assignee.

Upon acceptance and recording pursuant to Section 11.1.4, from and after the effective date specified in each Assignment and Acceptance (which effective date shall be at least five (5) Banking Days after the execution thereof unless waived in writing by the Agent):

(A) the Assignee shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank under this Agreement; and

(B) the assigning Bank shall, to the extent provided in such assignment, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto but shall continue to be entitled to the benefits of the applicable Interest Rate Option provisions of Article V hereof, as well as to any fees accrued for its account hereunder and not yet paid).

11.1.2 Terms of Assignment and Acceptance. By executing and delivering an Assignment and Acceptance, the assigning Bank and Assignee shall be deemed to confirm to and agree with each other and the other parties hereto as follows:

(a) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto;

(b) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower and its Subsidiaries or the performance or observance by the Borrower or any of its Subsidiaries of any of its obligations under this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto;

(c) such Assignee confirms that it has received a copy of this Agreement, together with copies of the most recent quarterly or annual financial statements delivered pursuant to Section 7.6 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(d) such Assignee will independently and without reliance upon the Agent, such assigning Bank or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(e) such Assignee appoints and authorizes the Agent to take such action as Agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and

(f) such Assignee agrees that it will perform in accordance with the terms of this Agreement all the obligations which are required to be performed by it as a Bank.

11.1.3 Register. The Agent shall maintain at its main Tulsa banking office a register (the "Register") for the recordation of (a) the names and addresses of the Banks and the Assignees which assume rights and obligations pursuant to an assignment under Section 11.1.1, (b) the Percentage Interest of each such Bank as set forth in Section 11.1 and (c) the amount of the Loans and Letter of Credit Exposure owing to each Bank from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Agent and the Banks may treat each Person whose name is registered therein for all purposes as a party to this Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

11.1.4 Acceptance of Assignment and Assumption. Upon its receipt of a completed Assignment and Acceptance executed by an assigning Bank and an Assignee, in exchange for the Notes subject to such assignment, together with the Note or Notes subject to such assignment, and the processing and recordation fee referred to in Section 11.1.1, the Agent shall (a) accept such Assignment and Acceptance, (b) record the information contained therein in the Register and (c) give prompt notice thereof to the Borrower. Within five (5) Banking Days after receipt of notice, the Borrower, at its own expense, shall execute and deliver to the Agent, in exchange for the surrendered Note or Notes, a new Note or Notes to the order of such Assignee in a principal amount equal to the applicable Commitments and Loans assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained a Commitment and Loan, a new Note or Notes to the order of such assigning Bank in a principal amount equal to the applicable Commitment and Loan retained by it. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, and shall be dated the date of the surrendered Note or Notes which it or they replace. All such Notes so replaced shall be delivered by the Agent to the Borrower or, alternatively, at the Agent's election, marked appropriately to evidence the replacement thereof by such replacement Note(s).

11.1.5 Federal Reserve Bank. Notwithstanding the foregoing provisions of this Section 11, any Bank may at any time pledge or assign all or any portion of such Bank's rights under this Agreement and the other Loan Documents to a Federal Reserve Bank; provided, however, that no such pledge or assignment shall release such Bank from such Bank's obligations hereunder or under any other Loan Document.

11.1.6 Further Assurances. The Borrower and its Subsidiaries shall sign such documents and take such other actions from time to time reasonably requested by an Assignee to enable it to share in the benefits of the rights created by the Loan Documents.

11.2 Credit Participants. Each Bank may, without the consent of the Borrower and with the consent of the Agent, in compliance with applicable laws in connection with such participation, sell to one or more commercial banks or other financial institutions (each a "Credit Participant") participations in all or a portion of its interests, rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitments, the Loans and Letter of Credit exposure owing to it and the Notes held by it); provided, however, that:

(a) such Bank's obligations under this Agreement shall remain unchanged;

(b) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations;

(c) the Credit Participant shall be entitled to the benefit of any cost protection provisions contained in the Credit Agreement, but shall not be entitled to receive any greater payment thereunder than the selling Bank would have been entitled to receive with respect to the interest so sold if such interest had not been sold; and

(d) the Borrower, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and such Bank shall retain the sole right as one of the Banks to vote with respect to the enforcement of the obligations of the Borrower relating to the Loans and Letter of Credit Exposure and the approval of any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications, consents or waivers described in clause (c) of the proviso to Section 10.6).

Borrower agrees, to the fullest extent permitted by applicable law, that any Credit Participant and any Bank purchasing a participation from another Bank pursuant to Section 10.5 may exercise all rights of payment (including the right of set-off), with respect to its participation as fully as if such Credit Participant or such Bank were the direct creditor of the Borrower and a Bank hereunder in the amount of such participation.

ARTICLE XII

MISCELLANEOUS

12.1 Notices. Unless otherwise provided herein, all notices, requests, consents and demands shall be in writing and shall be either hand-delivered (by courier or otherwise) or mailed by certified mail, postage prepaid, to the respective addresses specified below, or, as to any party, to such other address as may be designated by it in written notice to the other parties:

If to the Borrower, to:

Heritage Operating, L.P.
8801 South Yale Avenue, Suite 310
Tulsa, Oklahoma 74137
Attn: Chief Financial Officer
FAX: (918) ___-____

If to the Banks, to:

Bank of Oklahoma, National Association
P. O. Box 2300
Bank of Oklahoma Tower
One Williams Center
Tulsa, Oklahoma 74192
Attn: Energy Department - 8th Floor
FAX: (918) 588-6880

Bank One, Texas, NA
P.O. Box 2629
910 Travis
Houston, Texas 77252-2629
Attn: ___________________________
FAX: (713) 751-7894

Mercantile Bank of St. Louis, N.A.
721 Locust
St. Louis, Missouri 63101
Attn: Corporate Banking
FAX: (314) 425-3859

BOK is hereby designated and appointed and shall serve as notice agent for all of the Banks insofar as notices hereunder are concerned and notice to BOk shall be deemed notice to each of the Banks with the same force and effect as if each such Bank were individually notified in accordance herewith. All notices, requests, consents and demands hereunder will be effective when hand-delivered to the applicable notice address set forth above or when mailed by certified mail, postage prepaid, addressed as aforesaid.

12.2 Place of Payment. All sums payable hereunder shall be paid in immediately available funds to the Agent, at its principal banking offices at Bank of Oklahoma Tower, One Williams Center in Tulsa, Oklahoma, or at such other place as the Agent shall notify the Borrower in writing. If any interest, principal or other payment falls due on a date other than a Business Day, then (unless otherwise provided herein) such due date shall be extended to the next succeeding Business Day, and such extension of time will in such case be included in computing interest, if any, in connection with such payment.

12.3 Survival of Agreements. All covenants, agreements, representations and warranties made herein shall survive the execution and the delivery of Loan Documents. All statements contained in any certificate or other instrument delivered by the Borrower hereunder shall be deemed to constitute representations and warranties by the Borrower.

12.4 Parties in Interest. All covenants, agreements and obligations contained in this Agreement shall bind and inure to the benefit of the respective successors and assigns of the parties hereto, except that the Borrower may not assign their rights or obligations hereunder without the prior written consent of the Banks.

12.5 Governing Law and Jurisdiction. This Agreement and the Notes shall be deemed to have been made or incurred and delivered under the Laws of the State of Oklahoma and shall be construed and enforced in accordance with and governed by the Laws of Oklahoma.

12.6 SUBMISSION TO JURISDICTION. THE BORROWER HEREBY CONSENTS TO THE JURISDICTION OF ANY OF THE LOCAL, STATE, AND FEDERAL COURTS LOCATED WITHIN TULSA COUNTY, OKLAHOMA AND WAIVE ANY OBJECTION WHICH BORROWER MAY HAVE BASED ON IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY PROCEEDING IN ANY SUCH COURT AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON ANY OF THEM, AND CONSENT THAT ALL SUCH SERVICE OF PROCESS BE MADE BY MAIL OR MESSENGER DIRECTED TO ANY OF THEM AT THE ADDRESS SET FORTH IN SUBSECTION 12.1 HEREOF AND THAT SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON THE EARLIER OF ACTUAL RECEIPT OR THREE (3) BUSINESS DAYS AFTER MAILED OR DELIVERED BY MESSENGER.

12.7 Maximum Interest Rate. Regardless of any provision herein, the Banks shall never be entitled to receive, collect or apply, as interest on the Indebtedness any amount in excess of the maximum rate of interest permitted to be charged by the Banks by applicable Law, and, in the event the Banks shall ever receive, collect or apply, as interest, any such excess, such amount which would be excessive interest shall be applied to other Indebtedness and then to the reduction of principal; and, if all other Indebtedness and principal are paid in full, then any remaining excess shall forthwith be paid to the Borrower.

12.8 No Waiver; Cumulative Remedies. No failure to exercise, and no delay in exercising, on the part of the Banks, any right, power or privilege hereunder or under any other Loan Document or applicable Law shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege of the Banks. The rights and remedies herein provided are cumulative and not exclusive of any other rights or remedies provided by any other instrument or by law. No amendment, modification or waiver of any provision of this Agreement or any other Loan Document shall be effective unless the same shall be in writing and signed by the Banks. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

12.9 Costs. The Borrower agrees to pay to the Banks on demand all reasonable costs, fees and expenses (including without limitation reasonable attorneys fees and legal expenses) incurred or accrued by the Banks in connection with the negotiation, preparation, execution, delivery, filing, recording and administration of this Agreement, the Notes, the Security Documents, the Intercreditor Agreement and the other Loan Documents, or any amendment, waiver, consent or modification thereto or thereof, or any enforcement thereof. The Borrower further agrees that the fees and expenses of the Banks, including the Agent, incurred in connection with the negotiation and preparation of this Agreement and the other Loan Documents shall be paid regardless of whether or not the transactions provided for in this Agreement are eventually closed and regardless of whether or not any or all sums evidenced by the Notes are advanced to the Borrower by the Banks.

12.10 Participations. The Borrower recognizes and acknowledges that the Agent is selling a participating interest in the applicable Notes issued to the order of BOk to The Stillwater National Bank and Trust Company (together with other participants to which any of the Banks may sell participating interests in the Notes, collectively the "Credit Participants"). Upon receipt of notice of the address of such Credit Participants, the Borrower shall thereafter supply such Credit Participants with the same information and reports communicated to the Banks, whether written or oral. The Borrower hereby acknowledges and agrees that Credit Participants shall be deemed a holder of the applicable Notes to the extent of their respective participation, and the Borrower hereby waives its right, if any, to offset amounts owing to the Borrower from the Banks against each Credit Participant's portion of the applicable Notes.

12.11 WAIVER OF JURY. BORROWER FULLY, VOLUNTARILY AND EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED (OR WHICH MAY IN THE FUTURE BE DELIVERED) IN CONNECTION HEREWITH OR ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR THE SECURITY DOCUMENTS. BORROWER AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

Borrower acknowledges that it have been informed by the Agent that the provisions of this Section 12.11 constitute a material inducement upon which each of the Banks has relied and will rely in entering into this Agreement and the other Loan Documents, and that Borrower has reviewed the provisions of this Section 12.11 with its legal counsel. Any of the Banks, the Agent or the Borrower may file an original counterpart or copy of the Section 12.11 with any court or Tribunal as written evidence of the express consent of the Borrower, the Agent and the Banks to the waiver of their rights to trial by jury.

12.12 Full Agreement. This Agreement and the other Loan Documents contain the full agreement of the parties and supersede all negotiations and agreements prior to the date hereof.

12.13 Headings. The article and section headings of this Agreement are for convenience of reference only and shall not constitute a part of the text hereof nor alter or otherwise affect the meaning hereof.

12.14 Severability. The unenforceability or invalidity as determined by a Tribunal of competent jurisdiction, of any provision or provisions of this Agreement shall not render unenforceable or invalid any other provision or provisions hereof.

12.15 Exceptions to Covenants. The Borrower shall not be deemed to be permitted to take any action or fail to take any action which is permitted as an exception to any of the covenants contained herein or which is within the permissible limits of any of the covenants contained herein if such action or omission would result in the breach of any other covenant contained herein.

12.16 Conflict with Security Documents. To the extent the terms and provisions of any of the Security Documents are in conflict with the terms and provisions hereof, this Agreement shall be deemed controlling.

12.17 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the day and year first above written.

"Borrower"

HERITAGE OPERATING, L.P., a Delaware limited partnership

By: Heritage Holdings, Inc., a Delaware corporation, general partner

By____
H. Michael Krimbill, Chief Financial Officer

"Banks"

BANK OF OKLAHOMA, NATIONAL ASSOCIATION

By____
Denise L. Maltby, Vice President

BANK ONE, TEXAS, NA

By____
John Lane, Vice President

MERCANTILE BANK OF ST. LOUIS, N.A.

By____
John C. Billings, Vice President

Exhibit 10.2

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HERITAGE HOLDINGS, INC.
HERITAGE OPERATING, L.P.

$120,000,000

8.55% SENIOR SECURED NOTES DUE JUNE 30, 2011

NOTE PURCHASE AGREEMENT

DATED AS OF JUNE __, 1996

- --

HERITAGE HOLDINGS, INC.
HERITAGE OPERATING, L.P.
8801 SOUTH YALE AVENUE, SUITE 310
TULSA, OKLAHOMA 74137

As of June __, 1996

To Each of the Purchasers Named in the
Purchaser Schedule Attached Hereto
Ladies and Gentlemen:

On the date hereof, Heritage Holdings, Inc. ("HERITAGE"), a Delaware corporation, is engaged in the business of wholesale and retail sales and distribution of propane gas, providing repair, installation and maintenance services for propane heating systems and the sale and distribution of propane-related supplies and equipment, including appliances (the "BUSINESS").

Heritage Operating, L.P., a Delaware limited partnership (the "OPERATING PARTNERSHIP"), has been recently formed to acquire, own and operate the Business. In a series of related transactions: (a) Heritage will issue Notes (as defined below) in an aggregate principal amount not to exceed $120,000,000 to the purchasers named in the Purchaser Schedule attached hereto (the "PURCHASERS"), (b) Heritage will contribute substantially all of the assets (including the assets of any entity consolidating with or merging into Heritage) of Heritage (other than approximately $80,100,000 in proceeds from the sale of the Notes) (the "ASSETS") to the Operating Partnership pursuant to the Conveyance Agreements (as defined below), (c) Heritage will receive a 1.0101% general partner interest and a 98.9899% limited partner interest (representing all of the limited partner interests) in the Operating Partnership, (d) Heritage Propane Partners, L.P. (the "MASTER PARTNERSHIP"), a Delaware limited partnership, will sell 4,025,000 common units representing a limited partnership interest in the Master Partnership and the Operating Partnership on a combined basis of not more than 51.6% (the "OFFERING"), and is granting to the underwriters an option to purchase an additional 603,750 common units (collectively, the "COMMON UNITS") to cover over-allotments, (e) the Operating Partnership will assume substantially all of the liabilities (including the Notes) of Heritage (the "LIABILITIES") pursuant to the Conveyance Agreements, (f) Heritage will convey all of its limited partner interests in the Operating Partnership to the Master Partnership in exchange for 3,702,943 subordinated units (the "SUBORDINATED UNITS") representing all of the limited partner interests in the Master Partnership not represented by the Common Units and representing a limited partner interest of not less than 47.0% (43.6% if the underwriters'

overallotment option is exercised in full) in the Master Partnership and a 1.0% general partner interest in the Master Partnership, (g) the Master Partnership will contribute the net proceeds of the sale of the Common Units to the Operating Partnership, (h) the Operating Partnership will apply the net proceeds from the sale of the Common Units and the approximately $39,900,000 in cash contributed by Heritage from the issuance of the Notes, $2.4 million borrowed under the Acquisition Facility (as defined below) and $4.0 million borrowed under the Revolving Working Capital Facility (as defined below) as contemplated by the Registration Statement (as defined below), including the final form of Prospectus filed under Rule 424(b) of the Securities Act, (i) Heritage will use the remaining $80,100,000 of net proceeds from the issuance of the Notes to fund the Equity Repurchase (as defined below), to capitalize the General Partner (as defined below) and to pay expenses associated with the sale of the Notes, and (j) the Operating Partnership will enter into the Credit Agreement (as defined below) which will provide credit facilities in an aggregate amount of up to $50,000,000.

The foregoing transactions and others to occur in connection with the issuance of the Notes and the Offering as specified in the Contribution Agreement are collectively referred to herein as the "TRANSACTIONS." Immediately after giving effect to the Transactions (a) Heritage (in its capacity as general partner of the Operating Partnership, the "GENERAL PARTNER") will be the sole general partner of the Operating Partnership, owning a 1.0101% general partner interest therein, and the sole general partner of the Master Partnership, owning a 1.0% interest therein, (b) the Master Partnership will be the sole limited partner of the Operating Partnership, owning a 98.9899% limited partner interest therein, and Heritage will hold a 47.4% limited partner interest in the Master Partnership. As used herein, the term the "COMPANY" shall mean Heritage prior to contribution of the Assets to, and the assumption of the Liabilities (including, without limitation, the Notes) by, the Operating Partnership pursuant to the Conveyance Agreements and shall mean the Operating Partnership on and after the time of such contribution and assumption.

Accordingly, the Operating Partnership and Heritage agree with the Purchasers as follows:

1. AUTHORIZATION OF ISSUE OF NOTES. The Company will authorize the issue of its senior secured promissory notes in the aggregate principal amount of $120,000,000, to be dated the date of issue thereof, to mature June 30, 2011, to bear interest on the unpaid balance thereof from the date thereof until the principal thereof shall have become due and payable at the rate of 8.55% per annum and on overdue payments at the rate specified therein, and to be substantially in the form of Exhibit A-1 hereto in the case of Notes issued on or prior to the time of the Closing (as defined

below) and Exhibit A-2 hereto in the case of any Notes issued after the time of the Closing, in each case, with such changes therein, if any, as may be approved by each of the Purchasers and the Company. The term "Notes" as used herein shall include each such senior secured promissory note delivered pursuant to any provision of this Agreement and each such senior secured promissory note delivered in substitution or exchange for any other Note pursuant to any such provision. The Notes will be secured by the Security Agreement referred to in Section 3H. The Security Agreement and the Notes, to the extent secured thereby, are subject to the terms of the Intercreditor Agreement referred to in Section 3H.

2. PURCHASE AND SALE OF NOTES. The Company hereby agrees to sell to each Purchaser and, subject to the terms and conditions herein set forth, each Purchaser agrees to purchase from Heritage the aggregate principal amount of Notes set forth opposite such Purchaser's name in the Purchaser Schedule attached hereto at 100% of such aggregate principal amount. The sale of the Notes to the Purchasers shall take place at the offices of Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, New York 10004 at 10:00 a.m., New York City time, at a closing (the "CLOSING") on June 26, 1996, or such later date (which shall not be later than July 20, 1996) as may be agreed upon by the Company and each Purchaser. At the Closing, the Company will deliver to each Purchaser one or more Notes registered in such Purchaser's name (or in the name of its nominee), evidencing the aggregate principal amount of Notes to be purchased by such Purchaser and in the denomination or denominations specified with respect to such Purchaser in the Purchaser Schedule against payment of the purchase price thereof by transfer of immediately available funds for credit to the Company's account on the date of Closing (the "CLOSING DATE") (as specified in a notice to each Purchaser at least three Business Days prior to the Closing Date).

3. CONDITIONS OF CLOSING. Each Purchaser's obligation to purchase and pay for the Notes to be purchased by such Purchaser hereunder is subject to the satisfaction, on or before the Closing Date, of the following conditions:

3A. Opinion of Purchasers' Special Counsel. Such Purchaser shall have received from Fried, Frank, Harris, Shriver & Jacobson, who are acting as special counsel for the Purchasers in connection with the transactions contemplated by this Agreement, a favorable opinion satisfactory to such Purchaser and substantially in the form of Exhibit B-1 attached hereto.

3B. Other Opinions of Counsel. Such Purchaser shall have received favorable opinions from Andrews & Kurth L.L.P., special counsel for Heritage and the Operating Partnership, and Doerner, Saunders, Daniel & Anderson, special counsel for Heritage and the Operating Partnership, satisfactory to such Purchaser and substantially in the form of Exhibits B-2 and B-3, respectively, attached hereto. Such Purchaser shall have received copies of each of the opinions substantially in the form required to be delivered pursuant to the Underwriting Agreement (as defined below)(other than the opinion of counsel to the Underwriters), accompanied by letters, dated the Closing Date and addressed to the Purchasers, from each counsel rendering such opinions, stating that the Purchasers are entitled to rely on such opinions as if they were addressed to such Purchasers. Heritage and the Operating Partnership each hereby directs each of their counsel referred to in this Section 3B, and each of their counsel who deliver opinions pursuant to the Underwriting Agreement, to deliver to the Purchasers such opinions and letters to be delivered by it pursuant to this Section 3B and authorizes the Purchasers to rely thereon.

3C. Legal Investment. On the Closing Date, the purchase of Notes shall be permitted by the laws and regulations of each jurisdiction to which each Purchaser's investments are subject, but without recourse to provisions (such as section 1404(b) or 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies in securities not otherwise legally eligible for investment (it being understood that such purchase is so permitted on the date herein in the case of each Purchaser). If requested by a Purchaser by adequate prior written request to Heritage, such Purchaser shall have received, at least five Business Days prior to the Closing, an Officer's Certificate of Heritage and the Operating Partnership certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is still so permitted.

3D. Representations and Warranties; No Default.

(i) The representations and warranties of Heritage and the Operating Partnership contained in this Agreement (including, without limitation, Section 8), the other Financing Documents, the Operative Agreements, and those otherwise made in writing by or on behalf of Heritage or the Operating Partnership pursuant to this Agreement, the other Financing Documents or the Operative Agreements shall be true and correct when made and on and as of the Closing Date, except to the extent (a) of changes caused by the transactions herein contemplated and (b) that such representations and warranties expressly relate to an earlier time or date, in which case such representations and warranties shall have been true and correct as of such earlier time or date.

(ii) There shall exist on the Closing Date, immediately after giving effect to the transactions contemplated by the Registration Statement (including, without limitation the transactions contemplated by this Agreement, the other Financing Documents and the Operative Agreements), no Default or Event of Default hereunder or under any of the Documents or default by Heritage or the Operating Partnership under any Operative Agreement.

(iii) Heritage and the Operating Partnership each shall have delivered to each Purchaser an Officer's Certificate, dated the Closing Date, with respect to clauses (i) and (ii) hereto.

3E. PURCHASE PERMITTED BY APPLICABLE LAWS.

The purchase of and payment for the Notes to be purchased by such Purchaser on the Closing Date on the terms and conditions herein provided (including the use of the proceeds of such Notes by Heritage and the Operating Partnership) shall not violate any applicable law or governmental regulation (including, without limitation, Section 5 of the Securities Act or Regulation G, T or X of the Board of Governors of the Federal Reserve System) and shall not subject such Purchaser to any tax, penalty, liability or other onerous condition under or pursuant to any applicable law or governmental regulation, which law or regulation is not in effect on the date hereof, and such Purchaser shall have received such certificates or other evidence as it may request to establish compliance with this condition.

3F. PERFORMANCE; TRANSFER OF ASSETS; PROCEEDINGS.

(i) Heritage and the Operating Partnership each shall have performed and complied in all material respects with all agreements and covenants contained in this Agreement, any other Financing Document and any Operative Agreement required to be performed or complied with by it prior to or at the Closing.

(ii) The transactions (including, without limitation, the Transactions) contemplated under the Operative Agreements and the Registration Statement to occur at or prior to the time of the Closing shall have been completed substantially as contemplated therein. The business of Heritage and of the Operating Partnership shall be as described in the Registration Statement.

(iii) All organizational and other proceedings taken or to be taken in connection with the transactions contemplated hereby and all documents incident thereto shall be satisfactory in substance and form to such Purchaser, and such Purchaser shall have received all such additional certificates and all such counterpart originals or certified or other copies of such documents as it may reasonably request.

3G. SALE OF NOTES TO OTHER PURCHASERS.

The Company shall have sold to the other Purchasers the Notes to be purchased by them at the Closing and shall have received payment in full therefor.

3H. OPERATIVE AGREEMENTS; SECURITY DOCUMENTS; INTERCREDITOR AGREEMENT; OTHER AGREEMENTS.

(i) Each of the Operative Agreements shall have been duly authorized, executed and delivered by the respective parties thereto substantially in the form previously provided to the Purchasers, shall be in full force and effect, and shall constitute the legal, valid and binding obligations of the respective parties thereto, and no default or accrued right of termination on the part of any of the parties thereto shall exist thereunder as of the Closing Date, and each Purchaser shall have received a fully executed original, or a true and correct copy, of each Operative Agreement.

(ii) The Agent and the Purchasers shall have entered into an Intercreditor and Agency Agreement (as amended, supplemented or otherwise modified from time to time, the "INTERCREDITOR AGREEMENT") substantially in the form of Exhibit C hereto, with the financial institution named as collateral agent therein (together with its successors as such collateral agent, the "COLLATERAL AGENT"), providing for the terms on which the Collateral Agent shall hold the Collateral under the Security Agreement.

(iii) Heritage and the Operating Partnership shall have entered into a Security Agreement (as amended, supplemented or otherwise modified from time to time, the "SECURITY AGREEMENT") substantially in the form of Exhibit D hereto, with the Collateral Agent, and shall have delivered to the Collateral Agent such certificates representing shares of Capital Stock included in the Collateral and proper stock powers with respect thereto duly endorsed in blank (the "CERTIFICATES AND STOCK POWERS") and such proper financing statements (whether Form UCC-1 or any other form that may be required by any jurisdiction) (as amended, supplemented or otherwise modified from time to time the "FINANCING STATEMENTS") under the Uniform Commercial Code of such jurisdictions, as may be necessary, or in the opinion of the Purchaser's special counsel desirable, to perfect the Liens created by the Security Agreement. The Financing Statements shall have been filed in all of such necessary jurisdictions to perfect the assignment and security interest purported to be created by the Security Agreement.

(iv) The Company shall have delivered to each Purchaser true and complete copies of the Credit Agreement, as fully executed and delivered, the Underwriting Agreement and the Registration Statement and each of the Credit Agreement and the Underwriting Agreement shall be in full force and effect and in form and substance satisfactory to each Purchaser and all conditions precedent contained therein (including, without limitation, all conditions precedent in the Credit Agreement to permit the initial

borrowings under the Acquisition Facility and the Revolving Working Capital Facility) shall have been duly satisfied or unconditionally waived or shall occur simultaneously with the Closing.

3I. Sale of Units. At the time of the Closing, the Registration Statement shall have been declared effective by the Commission, and all transactions contemplated by the Registration Statement and the Underwriting Agreement shall have been consummated or shall be consummated simultaneously with the Closing, as contemplated therein.

3J. Rating. Prior to the Closing, the Notes shall have received, and there shall remain in effect, a rating of BBB or better from Fitch Investors Service, Inc. Such rating shall not have been withdrawn prior to the Closing Date.

3K. Payment of Closing Fees. The Company shall have paid the fees and disbursements of the Purchasers' special counsel required by Section 11B to be paid by the Company on the Closing Date.

3L. Private Placement Number. The Company shall have obtained for the Notes a Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners).

3M. Insurance. Such Purchaser shall have received from Heritage a summary description of all insurance policies, fidelity bonds or other insurance service contracts providing coverage for the Business.

4. PREPAYMENTS. The Notes shall be subject to prepayment only with respect to the required prepayments specified in Sections 4A and 4C and the optional prepayments permitted by Section 4B.

4A. Required Prepayments; Maturity. Until the Notes shall be paid in full, the Company shall apply to the prepayment of the Notes, without premium, the sum of $12,000,000 (or, if less, the principal amount of the Notes as shall at the time be outstanding) on June 30 in each of the years 2002 to 2010, inclusive, and such principal amounts of the Notes, together with interest thereon to the prepayment dates, shall become due on such prepayment dates, provided, however, that if the Company shall prepay all or

any portion of the Notes pursuant to Section 4B or Section 4C, or acquire any Notes pursuant to the provisions of Section 4G, each of the principal amount payable at maturity and the principal amount of each required prepayment of the Notes becoming due under this Section 4A on and after the date of such prepayment or purchase shall be reduced in the same proportion as the aggregate unpaid principal amount of the Notes is reduced as a result of such prepayment or acquisition. The remaining outstanding principal amount of the Notes, together with all interest accrued on the Notes, shall become due and payable on June 30, 2011.

4B. Optional Prepayment. The Notes shall be subject to prepayment, in whole at any time or from time to time in part (in multiples of $5,000,000 or, if less than $5,000,000, the principal amount of the Notes as shall be outstanding at the time of such partial prepayment), at the option of the Company, at 100% of the principal amount so prepaid plus interest thereon to the prepayment date and the Yield Maintenance Amount, if any, with respect to each Note.

4C. Contingent Prepayments on Disposition, Loss of Assets, Merger or Change of Control or Non-Conforming Merger.

(i) If at any time the Company or any of its Subsidiaries disposes of assets or issues or sells Capital Stock of any Subsidiary with the result that there are Excess Sale Proceeds, and the Company does not apply such Excess Sale Proceeds in the manner described in Section 6G(iii)(c)(II)(x), the Company will offer to prepay (at the price specified below and upon notice as provided in Section 4D) a principal amount of the outstanding Notes equal to the Allocable Proceeds.

(ii) In the event of any damage to, or destruction, condemnation or other taking of, all or any portion of the properties or assets of the Company or any of its Subsidiaries, to the extent that the Company or any such Subsidiary receives insurance or condemnation proceeds with the result that Unutilized Taking Proceeds exceed $2,500,000 in respect of any fiscal year (such excess amount being herein called "Excess Taking Proceeds"), the Company will offer to prepay (at the price specified in clause (v) of this Section 4C below and upon notice as provided in Section 4D) a principal amount of the outstanding Notes equal to the Allocable Proceeds.

(iii) (a) If at any time any Responsible Officer has knowledge of the occurrence of any Control Event, the Company will give notice as provided in Section 4D of such Control Event to each holder of Notes. Such notice shall contain and constitute an

offer to prepay all, but not less than all, of the Notes held by each holder. Upon the occurrence of a Control Event, the Company will not take any voluntary action that consummates or finalizes the Change of Control resulting from such Control Event unless contemporaneously with such action, the Company prepays all Notes required to be prepaid in accordance with this Section 4C and Section 4D.

(b) The obligation of the Company to prepay Notes pursuant to the offer required by paragraph (a) of this clause (iii) and accepted in accordance with Section 4D is subject to the consummation of the Change of Control in respect of which any such offer and acceptance shall have been made. In the event that such Change of Control does not occur on or before the proposed prepayment date in respect thereof, the prepayment shall be deferred until and shall be made on the date on which such Change of Control occurs. The Company shall keep each holder of Notes reasonably and timely informed of (I) any such deferral of the date of prepayment, (II) the date on which such Change of Control and the prepayment are expected to occur, and (III) any determination by the Company that efforts to effect such resulting Change of Control have ceased or been abandoned (in which case any offer and acceptance made pursuant to this Section 4C in respect of such Change of Control shall be deemed rescinded).

(iv) Each such offer to prepay the Notes pursuant to Section 4C(i) or 4C(ii) shall be made (a) to the extent such prepayment represents all or a portion of an amount equal to $7,500,000 in the aggregate in respect of any fiscal year up to $12,500,000 in the aggregate for all fiscal years of unapplied Excess Sale Proceeds and Excess Taking Proceeds (such unapplied being herein called, "EXCESS PROCEEDS"), at a price equal to 100% of the principal amount of the Notes to be prepaid, plus interest thereon to the prepayment date, and (b) to the extent such prepayment represents such Excess Proceeds in excess of the $7,500,000 in the aggregate for any fiscal year up to $12,500,000 in the aggregate for all fiscal years referred to in clause (a), at a price equal to 100% of the principal amount of the Notes to be prepaid, plus interest thereon to the prepayment date plus the Yield-Maintenance Amount, if any, thereon.

(v) Each offer to prepay the Notes pursuant to Section 4C(iii) shall be made to the extent such offer is in respect of a Change of Control, at a price equal to the principal amount of the Notes to be prepaid, plus interest thereon to the prepayment date plus a premium of 1% of the principal amount to be so prepaid.

4D. Prepayment Procedure for Contingent Prepayments.

(i) If at any time there are Excess Proceeds, and the Company is required to offer to prepay the Notes with such Excess Proceeds pursuant to clause (i) or (ii) of Section 4C, the Company will give written notice as provided in Section 11I (which shall be in the form of an Officers' Certificate) to the holders of the Notes not later than twelve months after the date of the applicable Asset Sale or the end of the twelve month period following receipt of the applicable Unutilized Taking Proceeds, as the case may be, stating that any holder failing to elect not to accept the offer shall be deemed to have accepted such offer and (a) setting forth in reasonable detail all calculations required to determine the amount of Excess Proceeds and the Yield-Maintenance Amount, if any, (b) setting forth the aggregate amount of the Allocable Proceeds and the amount of the Allocable Proceeds which is allocable to each Note, determined by applying the Allocable Proceeds pro rata among all Notes outstanding on the date such prepayment is to be made according to the aggregate then unpaid amounts of the Notes, and in reasonable detail the calculations used in determining such amounts, and (c) stating that the Company irrevocably offers to prepay on the date specified in such notice, which shall not be less than 25 nor more than 45 days after the date of such notice, a principal amount of each outstanding Note equal to the amount of Allocable Proceeds allocated to such Note as described in paragraph (b) above, plus such Note's share of the Allocable Proceeds allocable to any other Note the holder of which elects on a timely basis not to accept the Company's offer (collectively, the "NON-ACCEPTING HOLDERS"), all in accordance with the procedures set forth in this Section 4D. Such notice shall also indicate that any Accepting Holder that fails to elect not to accept the Pro Rata Option shall be deemed to have accepted such option as set forth below.

(ii) If at any time the Company is required to offer to prepay the Notes following the occurrence of a Control Event which could result in a Change in Control, the Company will give written notice as provided in Section 11I (which shall be in the form of an Officer's Certificate) to the holders of the Notes not later than ten business days following such Control Event, stating that any holder failing to elect not to accept the offer shall be deemed to have accepted such offer and (a) setting forth in reasonable detail the facts and circumstances underlying such Control Event known to it, and (b) stating that the Company irrevocably offers to prepay on the date specified in such notice, which shall be not less 25 nor more than 45 days after the date of such notice, at the price specified in clause (v) of Section 4C, each outstanding Note, all in accordance with the procedures set forth in this Section 4D.

(iii) Each holder of a Note electing not to accept an offer to prepay given pursuant to this Section 4D shall make such election by notice delivered to the Company at least 10 days prior to the date of prepayment specified in the notice given by the Company pursuant to clause (i) or (ii) of this Section 4D. Each other holder of a Note (collectively, the "Accepting Holders") shall be deemed to accept the Company's offer with respect to prepayment of such Note. In the case of a notice given by the Company pursuant to clause (i) of this Section each Accepting Holder shall be deemed to have accepted the Company's offer to the extent of its Allocable Proceeds and shall be deemed to have accepted an agreement (the "PRO RATA OPTION") to have prepaid, in addition to the Allocable Proceeds allocable to such Note (up to the total Allocable Proceeds), all or any part of the balance of the principal amount of such Note using the Allocable Proceeds that would have been paid to the Non-Accepting Holders; provided that any Accepting Holder may elect not to agree to the Pro Rata Option by notice delivered to the Company at least 5 days prior to the date of prepayment specified in the notice given by the Company pursuant to clause (i) of this Section 4D.

(iv) Upon receipt of all timely notices from Non-Accepting Holders and Accepting Holders pursuant to clause (iii) of this Section 4D, the Company shall give written notice as provided in Section 11I (which shall be in the form of an Officers' Certificate) to the holders of the Notes setting forth (a) the names of each Accepting Holder and each Non-Accepting Holder, (b) the principal amounts of the Notes of such Accepting Holders and Non-Accepting Holders affected by the Company's offer of prepayment, (c) in the case of a notice given by the Company pursuant to clause (i) of this Section 4D, if there shall be any Allocable Proceeds remaining in addition to the amounts so to be prepaid, the principal amounts of the Notes as to which such Accepting Holders shall have exercised their Pro Rata Options together with a calculation of each Accepting Holder's Pro Rata Option in accordance with clause (v) of this Section 4D and (d) after giving effect to the prepayment contemplated by clause (v) of this Section 4D in respect of such offer, the reduced amount of each required payment thereafter becoming due with respect to the Notes under Section 4A and upon the maturity thereof, specifying how each such amount was determined, and certifying that such reduction has been computed in accordance with such Section.

(v) Upon receipt of all timely notices from Non-Accepting Holders and Accepting Holders pursuant to clause (iii) of this Section 4D, the Company shall, in the case of a notice given by the Company pursuant to clause (i) of this Section 4D, allocate that portion of the Allocable Proceeds that had been allocated to the Notes of such Non-Accepting Holders among the Notes of Accepting Holders in proportion to the respective Allocable

Proceeds allocable to the Notes of Accepting Holders (after giving effect to any Pro Rata Option). Where the portion of the Allocable Proceeds thus allocated to the Note of an Accepting Holder would exceed the maximum principal amount of such Note which such Accepting Holder has agreed to have prepaid (including, without limitation, pursuant to a Pro Rata Option), such excess shall be allocated among the Notes of Accepting Holders who have agreed to accept prepayments (including, without limitation, pursuant to a Pro Rata Option) in amounts which still exceed the amount of prepayments previously allocated to them pursuant to this Section 4D in proportion to the respective Allocable Proceeds allocable to the Notes of such Accepting Holders (after giving effect to any Pro Rata Option); and such allocation shall be repeated as many times as shall be necessary until (a) the Allocable Proceeds have been fully allocated or (b) it is no longer possible to allocate the Allocable Proceeds without exceeding the maximum principal amounts of Notes which all Accepting Holders respectively have agreed to have prepaid (including, without limitation, pursuant to all the Pro Rata Options).

(vi) The principal amount of any Notes with respect to which an offer to prepay pursuant to this Section 4D has been made and not rejected shall become due and payable on the date specified in the notice of such offer given by the Company pursuant to clause (i) or (ii), as the case may be of this Section 4D. In the case of a notice given by the Company pursuant to clause (i) of this Section 4D, it is understood that all Allocable Proceeds not applied to the prepayment of the Notes or to the payment of Parity Debt pursuant to Section 4C and this Section 4D shall constitute amounts included within clause (x) of the definition of "Unused Proceeds Reserve".

(vii) Each holder of a Note shall receive, not more than two Business Days prior to the date scheduled for any prepayment pursuant to this Section 4D an Officers' Certificate (i) certifying that the conditions of this Section 4D have been fulfilled with respect to such prepayment and specifying the particulars of such fulfillment, including without limitation, in reasonable detail the calculations used in computing the amount of the prepayment in respect of the Notes and the appropriate Premium (together with, in the case of a calculation of any Yield-Maintenance Amount, copies of the source of market data by reference to which the Reinvestment Yield was determined) with respect thereto, and (ii) in the case of any such prepayment that is a partial prepayment of the Notes setting forth (a) the principal amount to be prepaid with respect to each of the Notes and specifying how each such amount was determined and (b) after giving effect to such partial prepayment the reduced amount to be prepaid with respect to each required payment thereafter becoming due with respect to the Notes under Section 4A and upon the maturity thereof, specifying how each such amount was determined, and certifying that such reduction has

been computed in accordance with such Section. If for any reason the holder of a Note so to be prepaid by written notice to the Company, objects to such calculation of the Yield-Maintenance Amount, the Company shall notify all other holders of Notes so to be prepaid of such objection. If after any such notice and objection, a calculation of the Yield-Maintenance Amount shall be approved by the Required Holders of the Notes to be prepaid and specified in a written notice provided to the Company and the holders of such Notes, such calculation shall be final and binding upon the Company and the holders of the Notes absent manifest error.

4E. Notice of Optional Prepayment. The Company shall give the holder of each Note irrevocable written notice as provided in Section 11I of any prepayment pursuant to Section 4B not less than 30 days and not more than 60 days prior to the prepayment date, stating that such prepayment is to be made pursuant to Section 4B and specifying (i) such prepayment date, (ii) the principal amount of the Notes, and of the Notes held by such holder, to be prepaid on such date, and (iii) a calculation of the estimated Yield-Maintenance Amount, if any, with respect to such prepayment. Notice of prepayment having been given as aforesaid, the principal amount of the Notes specified in such notice, together with interest thereon to the prepayment date, and the Yield-Maintenance Amount with respect thereto, shall become due and payable on such prepayment date. The Company shall, on or before the day on which it gives written notice of any prepayment pursuant to Section 4B, give telephonic notice (confirmed in writing by facsimile transmission or overnight courier) of the principal amount of the Notes to be prepaid and the prepayment date to each holder which shall have designated a recipient of such notices in the Purchaser Schedule attached hereto or by notice in writing to the Company. In addition, each holder of a Note shall receive, at least 2 Business Days prior to the date scheduled for any such prepayment an Officers' Certificate (i) certifying that the conditions of Section 4B have been fulfilled and specifying the particulars, including, without limitation, a calculation in reasonable detail of the Yield-Maintenance Amount with attached copies of the source of market data by reference to which the Reinvestment Yield was determined, of such fulfillment and (ii) in the case of any such prepayment that is a partial prepayment of the Notes, setting forth (a) the principal amount to be prepaid with respect to each of the Notes and specifying how each such amount was determined, and (b) after giving effect to such partial prepayment the reduced amount to be prepaid with respect to each required payment thereafter becoming due with respect to the Notes under Section 4A and upon the maturity thereof, specifying how each such amount was determined, and certifying that such reduction has been computed in accordance with such Section. If for any reason the holder of a Note so to be prepaid, by written notice to the Company, objects to such calculation of the Yield-Maintenance Amount, the Company

shall notify all other holders of Notes so to be prepaid of such objection. If after any such notice and objection, a calculation of the Yield-Maintenance Amount shall be approved by the Required Holders and specified in a written notice provided to the Company and the other holders of such Notes, such calculation shall be final and binding upon the Company and the holders of the Notes absent manifest error.

4F. Allocation of Partial Payments. Upon any partial prepayment of the Notes, the principal amount so prepaid shall be allocated to all Notes at the time outstanding in proportion to the respective outstanding principal amounts thereof, provided, that in the case of any prepayment of less than all of the Notes pursuant to Section 4C, the principal amount of the Notes to be prepaid will be allocable to the Notes to be prepaid as provided in Section 4C.

4G. Retirement of Notes. The Company shall not, and shall not permit any of its Subsidiaries or Affiliates to, prepay or otherwise retire in whole or in part prior to their stated final maturity (other than by prepayment pursuant to Section 4A, 4B or 4C or upon acceleration of such final maturity pursuant to Section 7A), or purchase or otherwise acquire, directly or indirectly, Notes held by any holder, unless the Company or such Subsidiary or Affiliate shall have offered to prepay or otherwise retire or purchase or otherwise acquire, as the case may be, the same proportion of the aggregate principal amount of Notes held by each other holder of Notes at the time outstanding, upon the same terms and conditions and such offer shall remain open for a period of at least 20 Business Days; provided that (x) neither the Company nor any of its Affiliates or Subsidiaries shall make any such offer to prepay, redeem, retire, purchase or acquire Notes at a price of less than 100% of the principal amount thereof and (y) at the time of such offer and purchase no Default or Event of Default shall have occurred and be continuing. Any Notes prepaid or otherwise retired or purchased or otherwise acquired by the Company or any of its Subsidiaries or Affiliates shall not be deemed to be outstanding for any purpose under this Agreement.

5. AFFIRMATIVE COVENANTS. The Company hereby covenants and agrees that, from the Closing and thereafter so long as any of the Notes remain unpaid, it will perform and comply with the terms and provisions of this Section 5.

5A. Financial Statements. The Company will maintain, and will cause each of its Subsidiaries to maintain, a system of accounting established and administered in

accordance with GAAP. The Company covenants that it will deliver to each Purchaser, so long as such Purchaser or its nominee shall be the holder of any Note, and to each holder in triplicate:

(i) as soon as practicable and in any event within 50 days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, consolidated statements of income, partners' capital and cash flows of the Company and its Subsidiaries for such quarterly period and (in the case of the second and third quarterly periods) for the period from the beginning of the current fiscal year to the end of such quarterly period, and consolidated balance sheets of the Company and its Subsidiaries as at the end of such quarterly period, setting forth in each case with respect to financial statements delivered as of any date and for any period after August 31, 1997, in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and satisfactory in form to the Required Holder(s) and certified by an authorized financial officer of the Company as presenting fairly, in all material respects, the information contained therein (except for the absence of footnotes and subject to changes resulting from normal year-end adjustments), in accordance with GAAP; provided, however, that at any time when the Partnership shall be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act delivery within the time period specified above of copies of the Quarterly Report on Form 10-Q of the Partnership for such quarterly period filed with the Commission shall be deemed to satisfy the requirements of this clause (i) if all such statements required to be delivered pursuant to this clause (i) with respect to the Company and its Subsidiaries are included in such Form 10-Q;

(ii) as soon as practicable and in any event within 95 days after the end of each fiscal year, consolidated and consolidating statements of income and cash flows and a consolidated and consolidating statement of partners' capital (or stockholders' equity, as applicable) of the Company and its Subsidiaries for such year, and consolidated and consolidating balance sheets of the Company and its Subsidiaries, as at the end of such year, setting forth

in each case with respect to financial statements delivered as of any date and for any period after August 31, 1997, in comparative form corresponding consolidated and, where applicable, consolidating figures from the preceding annual audit, all in reasonable detail and, as to the consolidated statements, reported on by Arthur Andersen LLP, or other independent public accountants of recognized national standing selected by the Company whose report shall be without limitation as to the scope of the audit and, as to the consolidating statements, certified by an authorized financial officer of the Company as presenting fairly, in all material respects, the information contained therein, in accordance with GAAP (except, in the case of such consolidating financial statements, for the absence of footnotes); provided, however, that at any time when the Master Partnership shall be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act delivery within the time period specified above of copies of the Annual Report on Form 10-K of the Master Partnership for such fiscal year prepared in compliance with the requirements therefor and filed with the Commission shall be deemed to satisfy the requirements of this clause (ii) if (x) the Consolidated Net Income of the Company and its Subsidiaries accounts for at least 95% of the net income of the Master Partnership, and (y) all such statements required to be delivered pursuant to this clause (ii) with respect to the Company and its Subsidiaries are either included in such Form 10-K and such reports or delivered separately by the Company together with such Form 10-K and such reports;

(iii) promptly upon receipt thereof by the Company, copies of all reports submitted to the Company by independent public accountants in connection with each special, annual or interim audit of the books of the Company or any Subsidiary thereof made by such accountants, including without limitation the comment letter submitted by each such accountant to management in connection with their annual audit;

(iv) promptly upon transmission thereof, copies of (a) all financial statements, proxy statements, notices and reports as the Company or the Partnership shall send or make available to the public Unitholders of the Master Partnership, (b) all registration statements (without exhibits), all prospectuses and all reports which the Company or the Master Partnership files with the Commission (or any governmental body or agency succeeding to the functions of the Commission), (c) all press releases and other similar written statements made available by the Company or the Master Partnership to the public concerning material developments in the business of the Company or the Master Partnership, as the case may be, and (d) all reports, notices and other similar written statements sent or made available by the Company or the Master Partnership to any holder of its Indebtedness pursuant to the terms of any agreement, indenture or other instrument evidencing such Indebtedness, including without limitation the Credit Agreement, except to the extent the same substantive information is already being provided pursuant to this Section 5A;

(v) as soon as reasonably practicable, and in any event within 5 Business Days after a Responsible Officer obtains knowledge that any Default or Event of Default has occurred, a written statement of such Responsible Officer setting forth details of such Default or Event of Default and the action which the Company has taken, is taking and proposes to take with respect thereto;

(vi) as soon as reasonably practicable, and in any event within 5 Business Days after a Responsible Officer obtains knowledge of (a) the occurrence of an adverse development with respect to any litigation or proceeding involving the Company or any of its Subsidiaries which in the reasonable judgment of the Company could reasonably be expected to have a Material Adverse Effect or (b) the commencement of any litigation or

proceeding involving the Company or any of its Subsidiaries which in the reasonable judgment of the Company could reasonably be expected to have a Material Adverse Effect, a written notice of such Responsible Officer describing in reasonable detail such commencement of, or adverse development with respect to, such litigation or proceeding;

(vii) as soon as possible after, and in any event within 10 Business Days after any Responsible Officer of the Company or any ERISA Affiliate knows or has reason to know that, any ERISA Event has occurred or is expected to occur that, alone or together with any other ERISA Events that have occurred, in the opinion of the principal financial officer of the Company could reasonably be expected to result in liability of the Company in an aggregate amount exceeding $5,000,000, a statement setting forth a detailed description of such ERISA Event and the action, if any, that the Company or any ERISA Affiliate has taken, is taking or proposes to take or cause to be taken with respect thereto (together with a copy of any notice, report or other written communication filed with or given to or received from the PBGC, the Internal Revenue Service or the Department of Labor with respect to such event or condition);

(viii) as soon as reasonably practicable, and in any event within five Business Days after a Responsible Officer obtains knowledge of a violation or alleged violation of any Environmental Law or the presence or release of any Hazardous Substance within, on, from, relating to or affecting any property, which in the reasonable judgment of the Company could reasonably be expected to have a Material Adverse Effect, notice thereof, and upon request, copies of relevant documentation;

(ix) together with each delivery of financial information pursuant to clause (i) or clause (ii) of this Section 5A, a statement setting forth, together

with computations in reasonable detail, the amount of Available Cash as of the date of the balance sheet contained therein and the amounts of all Net Proceeds, Excess Sale Proceeds, Unutilized Taking Proceeds and Unused Proceeds Reserves held by the Company at the end of the applicable quarterly period or fiscal year, as the case may be;

(x) as soon as reasonably practicable, and in any event within 5 Business Days after a Responsible Officer obtains knowledge that the holder of any Note has given any notice to the Company or any Subsidiary thereof or taken any other action with respect to a claimed Default or Event of Default under this Agreement or any other Financing Documents, or that any Person has given any notice to the Company or any such Subsidiary or taken any other action with respect to a claimed default or event or condition of the type referred to in Section 7A(iii), a written statement of such Responsible Officer describing such notice or other action in reasonable detail and the action which the Company has taken, is taking and proposes to take with respect thereto;

(xi) prior to the Closing Date and within 45 days after the end of each calendar year ending thereafter, commencing with the year ending December 31, 1996, a report prepared by the Company or its broker or agent (a) setting forth the insurance maintained pursuant to Section 5I, substantially in the form delivered at the Closing and referred to in Section 3M, and including, without limitation, the amounts thereof, the names of the insurers and the property, hazards and risks covered thereby, and certifying that all premiums with respect to the policies described in such report then due thereon have been paid and that the same are in full force and effect, (b) setting forth all self-insurance maintained by the Company pursuant to Section 5I and (c) certifying that such insurance or self insurance complies with the requirements of such Section; and

(xii) with reasonable promptness, such other information and data (financial or other) as from time to time may be reasonably requested by any holder of Notes.

Together with each delivery of financial statements required by clauses (i) and (ii) above, the Company will deliver to each holder of Notes an Officers' Certificate (I) stating that the signers have reviewed the terms of this Agreement and the other Financing Documents, and have made, or caused to be made under their supervision, a review in reasonable detail of the transactions and condition of the Company and its Subsidiaries during the accounting period covered by such financial statements, and that no Default or Event of Default has occurred and is continuing, or, if any such Default or Event of Default then exists, specifying the nature and approximate period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto, (II) specifying the amount available at the end of such accounting period for Restricted Payments in compliance with Section 6F and showing in reasonable detail all calculations required in arriving at such amount, (III) demonstrating (with computations in reasonable detail) compliance at the end of such accounting period by the Company and its Subsidiaries with the provisions of Sections 4C, 6A, 6B, 6C, 6D, 6E(v), 6G(i)(b), 6G(i)(c), 6G(iii) and 6L, and (IV) if not specified in the related financial statements being delivered pursuant to clauses (i) and (ii) above, specifying the aggregate amount of interest paid or accrued by, and aggregate rental expenses of, the Company and its Subsidiaries, and the aggregate amount of depreciation, depletion and amortization charged on the books of the Company and its Subsidiaries, during the fiscal period covered by such financial statements.

Together with each delivery of financial statements required by clause (ii) above, the Company will deliver a certificate of such accountants stating that they have reviewed the terms of this Agreement and the other Financing Documents and that in making the audit necessary for their report on such financial statements, they

have obtained no knowledge of any Event of Default or Default, or, if they have obtained knowledge of any Event of Default or Default, specifying the nature and period of existence thereof. Such accountants, however, shall not be liable to anyone by reason of their failure to obtain knowledge of any Event of Default or Default which would not be disclosed in the course of an audit conducted in accordance with generally accepted auditing standards.

5B. Information Required by Rule 144A. The Company will, upon the request of a holder of any Note, provide such holder, and any qualified institutional buyer designated by such holder, such financial and other information as such holder may reasonably determine to be necessary in order to permit compliance with the information requirements of Rule 144A under the Securities Act in connection with the resale of Notes, except at such times as the Company is subject to the reporting requirements of section 13 or 15(d) of the Exchange Act. For the purpose of this Section 5B, the term "qualified institutional buyer" shall have the meaning specified in Rule 144A under the Securities Act.

5C. Inspection of Property. The Company will permit any Person designated in writing by any holder of the Notes which is an institutional investor, at the Company's expense during the continuance of a Default or Event of Default and otherwise at such holder's expense, to visit and inspect any of the properties of the Company and its Subsidiaries, to examine the corporate books and financial records of the Company and its Subsidiaries and make copies thereof or extracts therefrom and to discuss the affairs, finances and accounts of any of such partnerships or corporations with the principal officers of the Company and its independent public accountants, all at such reasonable times and as often as such holder may reasonably request. The Company hereby authorizes, and agrees to cause each of its Subsidiaries to authorize, its and their independent public accountants to discuss with such Person the affairs, finances and accounts of the Company and its Subsidiaries in accordance with this Section 5C.

5D. Covenant to Secure Notes Equally. If the Company or any of its Subsidiaries shall create or assume any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than Liens permitted by the provisions of Sections 6C and 6D (unless prior written consent to the creation or assumption thereof shall have been obtained pursuant to Section 11C), the Company will make or cause to be made effective provision whereby the Notes will be contemporaneously secured by such Lien

equally and ratably with any and all other Indebtedness thereby secured so long as any such other Indebtedness shall be so secured (including, without limitation, the provision of any financial accommodations extended to the holders of such other Indebtedness in connection with the release of such Lien and/or the sale of any property subject thereto), it being understood that the provision of such equal and ratable security shall not constitute a cure or waiver of any related Event of Default.

5E. Partnership or Corporate Existence, etc.; Compliance with Laws.

(i) Except as otherwise expressly permitted in accordance with Section 6G or 6J, (a) the Company will at all times preserve and keep in full force and effect its partnership existence and its status as a partnership not taxable as a corporation for U.S. federal income tax purposes, (b) the Company will cause each of its Subsidiaries to keep in full force and effect its partnership or corporate existence, as the case may be, and (c) the Company will, and will cause each of its Subsidiaries to, at all times preserve and keep in full force and effect all of its material rights and franchises; provided, however, that the partnership or corporate existence of any Subsidiary, and any right or franchise of the Company or any Subsidiary, may be terminated notwithstanding this Section 5E if such termination (x) is in the best interest of the Company and the Subsidiaries, (y) is not disadvantageous to the holders of the Notes in any material respect and (z) could not reasonably be expected to have a Material Adverse Effect.

(ii) The Company will, and will cause each of its Subsidiaries to, at all times comply with all laws, regulations and statutes (including without limitation any zoning or building ordinances or code or Environmental Laws) applicable to it except for any failure to so comply which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(iii) The Company will notify the holders of the Notes a reasonable time prior to the adoption of any amendment to the Partnership Agreement, the Credit Agreement or any Operative Agreement and will include in that notice a reasonably detailed description of such amendment and the intended effects thereof.

5F. Payment of Taxes and Claims. The Company will, and will cause each of its Subsidiaries to, pay all taxes, assessments and other governmental charges imposed upon it or any of its Subsidiaries, or any of its or its Subsidiaries' properties or assets or in respect of any of its or any of its Subsidiaries' franchises, business, income or profits when the same become due and payable, and all claims (including without limitation claims for

labor, services, materials and supplies) for sums which have become due and payable and which by law have or might become a Lien upon any of its or any of its Subsidiaries' properties or assets; provided that no such tax, assessment, charge or claim need be paid if it is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and if such reserves or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor and be adequate in the good faith judgment of the Board of Directors of the General Partner.

5G. Compliance with ERISA. The Company will, and will cause its Subsidiaries to, comply in all material respects with the provisions of ERISA and the Code applicable to the Company and its Subsidiaries and their respective employee benefit programs.

5H. Maintenance and Sufficiency of Properties.

(i) The Company will maintain or cause to be maintained in good repair, working order and condition, ordinary wear and tear excepted, all properties used in the business of the Company and its Subsidiaries and from time to time will make or cause to be made all appropriate repairs, renewals and replacements thereof, all to the extent necessary to avoid a Material Adverse Effect.

(ii) The Company will maintain and will cause to be maintained as employees of the Company and its Subsidiaries such number of individuals, having appropriate skills, as may be necessary from time to time to sustain continuous operation of the Business at the time. Except as described on Schedule 8H, the Company will continue and will cause its Subsidiaries to continue to own or have valid rights to use all of the Assets constituting personal or intellectual property (including without limitation computer equipment, computer software and other intellectual property) reasonably necessary for the operation of the Business, in each case subject to no Liens except such as are permitted by Section 6C.

5I. Insurance.

(i) The Company will, and will cause its Subsidiaries to, at its or their expense, at all times maintain, or cause to be maintained, with financially sound and reputable insurers, insurance with respect to their properties and business with coverages comparable to those generally carried by companies of similar size that conduct the same or similar business and have similar properties in the same general areas in which the Company conducts its business; provided, however, that the Company may maintain a

system of self-insurance in an amount not exceeding an amount as is customary for companies with established reputations engaged in the same or similar business and owning and operating similar properties.

(ii) The Company will, and will cause each of its Subsidiaries to, pay as and when the same become due and payable the premiums for all insurance policies that the Company and its Subsidiaries are required to maintain hereunder.

5J. Environmental Laws. The Company will, and will cause each of its Subsidiaries to:

(i) comply with all applicable Environmental Laws and any permit, license, or approval required under any Environmental Law, except for failures to so comply which could not reasonably be expected to have a Material Adverse Effect;

(ii) store, use, release, or dispose of any Hazardous Substance at any property owned or leased by the Company or any of its Subsidiaries in a manner which could not reasonably be expected to have a Material Adverse Effect;

(iii) avoid committing any act or omission which would cause any Lien to be asserted against any property owned by the Company or any of its Subsidiaries pursuant to any Environmental Law, except where such Lien could not reasonably be expected to have a Material Adverse Effect;

(iv) use, handle or store any propane in compliance, in all material respects, with all applicable laws.

5K. Operative Agreements. The Company will perform and comply with all of its obligations under each of the Operative Agreements to which it is a party, will enforce each such Operative Agreement against each other party thereto and will not accept the termination of any such Operative Agreement or any amendment or supplement thereof or modification or waiver thereunder, unless any such failure to perform, comply or enforce or any such acceptance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5L. After-Acquired Property. From and after the date of the Closing, the Company will, and will cause each of its Subsidiaries to, execute and deliver such amendments to the Security Agreement, execute and deliver such instruments and agreements (including, without limitation, such Certificates and Stock Powers) and execute and cause to be duly recorded, published, registered or filed in the appropriate jurisdictions such Financing Statements, as shall be necessary to grant to the Collateral Agent a valid, perfected, first priority security interest in any asset acquired by the Company or any Subsidiary of the Company (including, without limitation, the Capital Stock of any Subsidiary) after the Closing, to the extent such asset would have been included in the Collateral granted at the Closing had the Company or one of its Subsidiaries owned such asset as of the Closing. The Company will pay or cause to be paid all taxes, fees and other governmental charges in connection with the execution, delivery, recording, publishing, registration and filing of such documents and instruments in such places.

5M. Further Assurances. At any time and from time to time promptly, the Company shall, at its expense, execute and deliver to each holder of a Note and the Collateral Agent such instruments and documents, and take such further action, as the holders of the Notes may from time to time reasonably request, in order to further carry out the intent and purpose of this Agreement and the other Financing Documents and to establish, perfect, preserve and protect the rights, interests and remedies created, or intended to be created, in favor of the holders of the Notes hereunder and thereunder, including, without limitation, the execution and delivery of Certificates and the delivery of Stock Powers and the execution, delivery, recordation and filing of Financing Statements and continuation statements under the Uniform Commercial Code of any applicable jurisdiction, and the delivery of satisfactory opinions of counsel.

5N. No Action Requiring Registration. Neither the Company nor anyone acting on its behalf will take any action which would subject the issuance and sale of the

Notes to the registration and prospectus delivery provisions of the Securities Act or to the registration or qualification provisions of any securities or Blue Sky law of any applicable jurisdiction.

5O. Books and Accounts. The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in which full, true and proper entries shall be made of its transactions and set aside on its books from its earnings for each fiscal year all such proper reserves as in each case shall be required in accordance with GAAP.

5P. Available Cash Reserves. The Company will maintain an amount of cash reserves that is necessary or appropriate in the reasonable discretion of the Board of Directors of the General Partner to (i) provide for the proper conduct of the business of the Company and its Subsidiaries (including reserves for future capital expenditures) subsequent to such quarter, (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Company or any Subsidiary is a party or by which it is bound or its assets are subject and (iii) provide funds for distributions to partners of the Master Partnership and the General Partner in respect of any one or more of the next four quarters; provided that the Board of Directors of the General Partner need not establish cash reserves pursuant to clause (iii) if the effect of such reserves would be that the Master Partnership is unable to distribute the minimum quarterly distribution on all Common Units with respect to such quarter; and provided, further, that disbursements made by the Company or a Subsidiary or cash reserves established, increased or reduced after the end of such quarter but on or before the date of determination of Available Cash with respect to such quarter shall be deemed to have been made, established, increased or reduced for purposes of determining Available Cash, within such quarter if the Board of Directors of the General Partner so determines. In addition, without limitation or duplication of the foregoing, Available Cash for any fiscal quarter shall reflect an amount of cash reserves equal to (x) 50% of the interest projected to be paid on the Notes in the next succeeding fiscal quarter, plus (y) beginning with a date three fiscal quarters before a scheduled principal payment date on the Notes, 25% of the aggregate principal amount thereof due on any such payment date in the third succeeding fiscal quarter, 50% of the aggregate principal amount due on any such payment date in the second succeeding fiscal quarter and 75% of the aggregate principal amount due on any quarterly payment date in the next succeeding fiscal quarter, plus (z) the Unused Proceeds Reserve as of the date of determination; provided that the foregoing reserves for amounts to be paid on the Notes shall be reduced by the aggregate amount of advances available to the Company from responsible financial institutions under binding, irrevocable (a) credit

or financing commitments (which are subject to no conditions which the Company is unable to meet) and (b) letters of credit (which are subject to no conditions which the Company is unable to meet), in each case to be used to refinance such amounts to the extent such amounts could be borrowed and remain outstanding under Sections 6B and 6A(ii).

5Q. Parity Debt.

(i) The Company shall ensure that the lenders from time to time in respect of any outstanding Parity Debt shall, in the documents governing the terms of such Indebtedness, (a) recognize the existence and validity of the obligations represented by the Notesand (b) agree to refrain from making or asserting any claim that the Financing Documents or the obligations represented by the Notes are invalid or not enforceable in accordance with its and their terms as a result of the circumstances surrounding the incurrence of such obligations.

(ii) Each holder of Notes from time to time, as evidenced by its acceptance of such Notes, (a) acknowledges the existence and validity of the obligations of the Company under the Credit Agreement (and any replacement, extension, renewal, refunding or refinancing thereof permitted by clause (ii) or (iii) of Section 6B, as the case may be) and (b) agrees to refrain from making or asserting any claim that such obligations or the instruments governing the terms thereof are invalid or not enforceable in accordance with its and their terms as a result of the circumstances surrounding the incurrence of such obligations.

6. NEGATIVE COVENANTS. The Company hereby covenants and agrees that from the Closing and thereafter so long as any of the Notes are outstanding:

6A. Financial Ratios. The Company will not permit:

(i) Ratio of Consolidated Funded Indebtedness to Consolidated EBITDA. Consolidated Funded Indebtedness at the end of any fiscal quarter to exceed 5.25 times Consolidated EBITDA for the period of the four most recent fiscal quarters ending on or prior to the date of determination;

(ii) Minimum Interest Coverage. Consolidated EBITDA for any fiscal quarter prior to the first anniversary of the Closing Date to exceed 2.00 times Consolidated Interest Expense for such fiscal quarter, and Consolidated EBITDA for any fiscal quarter after the first anniversary of the Closing Date to exceed 2.25 times Consolidated Interest Expense, in each case, measured at the end of such fiscal quarter.

Notwithstanding any of the provisions of this Agreement the Company will not, and will not permit any Subsidiary to, enter into any transaction pursuant to Section 6B, clauses (vii), (viii) and (xiii)(b) of Section 6C, Section 6F, clauses (i)(b), (i)(c), (ii)(b) and (iii) of Section 6G and Section 6I, if the consummation of any such transaction would result in a violation of clause (i) of this Section 6A, calculated for such purpose as of the date on which such transaction were to be consummated both immediately before and after giving effect to the consummation thereof; provided, however, that in the case of transactions pursuant to Section 6G, the calculation shall be made on a pro forma basis in accordance with GAAP after giving effect to any such transaction, with the ratio recomputed as at the last day of the most recently ended fiscal quarter of the Company as if such transaction had occurred on the first day of the relevant four quarter period.

6B. Indebtedness. The Company will not, and will not permit any of its Subsidiaries to, create, incur, assume, or otherwise become directly or indirectly liable with respect to, any Indebtedness, except (subject to the provisions of Section 6D):

(i) the Company may become and remain liable with respect to Indebtedness evidenced by the Notes and Indebtedness incurred in connection with any extension, renewal, refunding or refinancing of Indebtedness evidenced by the Notes, provided that the principal amount of such Indebtedness shall not exceed the principal

amount of the Indebtedness evidenced by the Notes, together with any accrued interest and Yield Maintenance Amount, with respect thereto being extended, renewed, refunded or refinanced;

(ii) the Company may become and remain liable with respect to Indebtedness incurred under the Revolving Working Capital Facility and for any purpose permitted by the Revolving Working Capital Facility and any Indebtedness incurred for any such permitted purpose which replaces, extends, renews, refunds or refinances any such Indebtedness, in whole or in part; provided that the aggregate principal amount of Indebtedness permitted under this clause (ii) shall not at any time exceed $15,000,000;

(iii) the Company may become and remain liable with respect to Indebtedness incurred by the Company under the Acquisition Facility and any Indebtedness incurred for such permitted purpose which replaces, extends, renews, refunds or refinances any such Indebtedness, in whole or in part; provided that the aggregate principal amount of Indebtedness permitted under this clause (iii) shall not at any time exceed $35,000,000;

(iv) any Subsidiary of the Company may become and remain liable with respect to Indebtedness of such Subsidiary owing to the Company or to a Wholly-Owned Subsidiary of the Company;

(v) Indebtedness of Bi-State Propane and M-P Oils Partnership, provided that the aggregate principal amount of

Indebtedness permitted under this clause (v) shall not at any time exceed $5,000,000;

(vi) the Company and any of its Subsidiaries may become and remain liable with respect to Indebtedness relating to any business, property or assets acquired by or contributed to the Company or such Subsidiary or which is secured by a loan on any property or assets acquired by or contributed to the Company or such Subsidiary to the extent such Indebtedness existed at the time such business, property or assets were so acquired or contributed, and if such Indebtedness is secured by such property or assets, such security interest does not extend to or cover any other property of the Company or any of its Subsidiaries; provided that (a) immediately after giving effect to such acquisition or contribution, the Company could incur at least $1.00 of additional Indebtedness pursuant to clause (xiii) of this Section 6B and (b) such Indebtedness was not incurred in anticipation of such acquisition or contribution;

(vii) the Company and any of its Subsidiaries may become and remain liable with respect to Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness is extinguished within 2 Business Days of its incurrence;

(viii) the Company may become and remain liable with respect to Guarantees of the Indebtedness of Bi-State Propane and M-P Oils Partnership permitted by clause (v) of this Section 6B;

(ix) any Person that after the date of Closing becomes a Subsidiary of the Company may become and remain liable with respect to any Indebtedness to the extent such Indebtedness existed at the time such Person became a Subsidiary; provided that (a) immediately after giving effect to such Person becoming a Subsidiary of the Company, the Company could incur at least $1.00 of additional Indebtedness in compliance with clause (xiii) of this Section 6B and (b) such Indebtedness was not incurred in anticipation of such Person becoming a Subsidiary of the Company;

(x) the Company and any of its Subsidiaries may become and remain liable with respect to Indebtedness owed to any person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance to the Company or any of its Subsidiaries, pursuant to reimbursement or indemnification obligations to such person;

(xi) the Company and any of its Subsidiaries may become and remain liable with respect to Indebtedness in respect of performance bonds, bid bonds, appeal bonds, surety bonds and similar obligations, in each case provided in the ordinary course of business, including those incurred to secure health, safety and environmental obligations in the ordinary course of business, and any extension, renewal or refinancing thereof to the extent not provided to secure the repayment of other Indebtedness and to the extent that the amount of refinancing Indebtedness is not greater than the amount of Indebtedness being refinanced;

(xii) the Company may become and remain liable with respect to Indebtedness incurred in respect of Capitalized Lease Obligations provided; that the Lien in respect thereof is permitted by clause (viii) of Section 6B; and

(xiii) the Company and its Subsidiaries may become and remain liable with respect to Indebtedness, in addition to that otherwise permitted by the other clauses of this Section 6B, if on the date the Company or any of its Subsidiaries becomes liable with respect to any such additional Indebtedness and immediately after giving effect thereto and to the substantially concurrent repayment of any other Indebtedness (a) the ratio of Consolidated EBITDA to Consolidated Debt Service is equal to or greater than 2.50 to 1.0 and (b) the ratio of Consolidated EBITDA to Consolidated Pro Forma Maximum Debt Service is equal to or greater than 1.25 to 1.0.

6C. Liens. The Company will not, and will not permit any of its Subsidiaries to, create, assume, incur or suffer to exist any Lien upon or with respect to any of its properties or assets, whether now owned or hereafter acquired, or any income or profits therefrom (whether or not provision is made for the equal and ratable securing of the Notes in accordance with the provisions of Section 5D), except:

(i) Liens existing on the date hereof on the property and assets of the Company or any of its Subsidiaries as described in Schedule 6C;

(ii) Liens for taxes, assessments or other governmental charges the payment of which is not yet due and payable or the validity of which is being contested in good faith in compliance with Section 5F;

(iii) attachment or judgment Liens not giving rise to an Event of Default and with respect to which the underlying action has been appealed or is being contested in good faith in compliance with Section 5F;

(iv) Liens of lessors, landlords, carriers, vendors, mechanics, materialmen, warehousemen, repairmen and other like Liens incurred in the ordinary course of business the payment of which is not yet due or which is being contested in good faith in compliance with Section 5F, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property, provided that such Liens do not materially interfere with the conduct of the business of the Company and its Subsidiaries taken as a whole;

(v) Liens (other than any Lien imposed by ERISA) incurred and pledges and deposits made in the ordinary course of business (a) in connection with workers' compensation, unemployment insurance, old age pensions, retiree health benefits and other types of social security, or (b) to secure (or to obtain letters of credit that do not constitute Indebtedness and that secure) the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, performance bonds, contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money or the obtaining of advances or credit provided that such Liens do not materially interfere with the conduct of the business of the Company and its Subsidiaries taken as a whole;

(vi) zoning restrictions, easements, licenses, reservations, provisions, covenants, conditions, waivers, restrictions on the use of property or irregularities of title (and with respect to leasehold interests, mortgages, obligations, liens and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under a landlord or owner of the leased property, with or without consent of the lessee) which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;

(vii) Liens existing on any property of a Person at the time such Person becomes a Subsidiary of the Company or existing at the time of acquisition upon any property acquired by the Company or any of its Subsidiaries at the time such property is so acquired, through purchase, merger or consolidation or otherwise (whether or not the Indebtedness secured thereby shall have been assumed); provided, however, that in the case of any such Lien (1) such Lien shall at all times be confined solely to any such property and, if required by the terms of the instrument creating such Lien, other property which is an improvement to such acquired property, (2) such Lien was not created in anticipation of such transaction, and (3) the Indebtedness secured by such Lien shall be permitted under Section 6B;

(viii) Liens created to secure all or any part of the purchase price, or to secure Indebtedness (other than Indebtedness permitted under clauses (ii) and (iii) of Section 6B) incurred or assumed to pay all or any part of the purchase price or cost of construction, of property acquired or constructed by the Company or any of its Subsidiaries after the Closing Date; provided that (a) any such Lien shall be confined solely to the item or items of such property (or improvement

therein) so acquired or constructed and, if required by the terms of the instrument creating such Lien, other property (or improvement thereon) which is an improvement to such acquired or constructed property, (b) such item or items of property so acquired are not required to become part of the Collateral under the terms of the Security Documents, (c) any such Lien shall be created contemporaneously with, or within 180 days after, the acquisition or construction of such property, and (d) such Lien does not exceed an amount equal to 85% of the fair market value (100% in the case of Capitalized Lease Obligations) of such assets (as determined in good faith by the Board of Directors of the General Partner) at the time of acquisition thereof;

(ix) Liens on property or assets of any Subsidiary of the Company securing Indebtedness of such Subsidiary owing to the Company or a Wholly-Owned Subsidiary;

(x) leases or subleases of equipment to customers which do not materially interfere with the conduct of the business of the Company and its Subsidiaries taken as a whole;

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

(xii) Liens (other than Liens securing Indebtedness) on the property or assets of any Subsidiary of the Company in favor of the Company or any other Wholly-Owned Subsidiary of the Company;

(xiii) Liens created by any of the Security Documents securing (a) Indebtedness evidenced by the Notes, the Acquisition Facility or the Revolving Working Capital Facility) and (b) Additional Parity Debt; and

(xiv) any Lien renewing, extending or refunding any Lien permitted by this Section 6C, provided that (a) the principal amount of the Indebtedness secured by any such Lien shall not exceed the principal amount of such Indebtedness outstanding immediately prior to the renewal, extension or refunding of such Lien and (b) no assets encumbered by any such Lien other than the assets encumbered immediately prior to such renewal, extension or refunding shall be encumbered thereby.

Notwithstanding the foregoing, the Company will not, and will not permit any of its Subsidiaries to, create, assume or incur any Lien upon or with respect to (a) any Subsidiary stock held by the Company or any other Subsidiary of the Company, or (b) any of its proprietary software developed by or on behalf of the Company or its Affiliates necessary and useful for the conduct of the Business. No Lien permitted under this Section 6C shall result in over-collateralization except as required by conventional practice for specific types of borrowings.

6D. Priority Debt. The Company will not permit Priority Debt, at any time, to exceed the sum of (i) $5,000,000 plus (ii) 10% of the then Consolidated Tangible Net

Worth of the Company and its Subsidiaries (but only to the extent such Consolidated Tangible Net Worth is positive). The provisions of this Section 6D are further limitations on Priority Debt that shall otherwise be permitted by Section 6A, 6B or 6C.

6E. Loans, Advances, Investments and Contingent Liabilities. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, purchase or own any stock, obligations or securities of, or any other interest in, or make any capital contribution to, any Person, make or permit to remain outstanding any loan or advance to, or guarantee, endorse or otherwise be or become contingently liable, directly or indirectly, in connection with the obligations of any Person, or make any other Investment, except:

(i) the Company or any of its Subsidiaries may make and own Investments (w) consisting of Units issued for purposes of making acquisitions, (x) arising out of loans and advances to employees incurred in the ordinary course of business, (y) arising out of extensions of trade credit or advances to third parties in the ordinary course of business and (z) acquired by reason of the exercise of customary creditors' rights upon default or pursuant to the bankruptcy, insolvency or reorganization of a debtor;

(ii) Guarantees that constitute Indebtedness to the extent permitted by Sections 6A and 6B and other Guarantees that are not Guarantees of Indebtedness and are undertaken in the ordinary course of business;

(iii) investment in (collectively, "Cash Equivalents")

(a) marketable obligations issued or unconditionally guaranteed by the United States of America, or issued by any agency thereof and backed by the full faith and credit of the

United States of America, in each case maturing one year or less from the date of acquisition thereof,

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

(c) commercial paper maturing no more than 270 days from the date of creation thereof and having as at the date of acquisition thereof one of the two highest ratings obtainable from either Standard & Poor's Rating Group or Moody's Investors Service, Inc.,

(d) certificates of deposit maturing one year or less from the date of acquisition thereof (1) issued by commercial banks incorporated under the laws of the United States of America or any state thereof or the District of Columbia or Canada or issued by the United States branch of any commercial bank organized under the laws of any country in Western Europe or Japan, with capital and stockholders' equity of at least $500,000,000 (or the equivalent in the currency of such country), (A) the commercial paper or other short term unsecured debt obligations of which are as at such date rated either A- 2 or better (or comparably if the rating system is changed) by Standard & Poor's Rating Group or Prime-2 or better (or comparably if the rating system is changed) by

Moody's Investors Service, Inc. or (B) the long-term debt obligations of which are as at such date rated either A or better (or comparably if the rating system is changed) by Standard & Poor's Rating Group or A2 or better (or comparably if the rating system is changed) by Moody's Investors Service, Inc. ("Permitted Banks") or (2) issued by Bank of Oklahoma, National Association in an aggregate amount for all such certificates of deposit issued by Bank of Oklahoma not to exceed $_______,

(e) Eurodollar time deposits having a maturity of less than 270 days from the date of acquisition thereof purchased directly from any Permitted Bank,

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

(g) obligations of the type described in clause (a), (b), (c), (d) or (e) above purchased from a securities dealer designated as a "primary dealer" by the Federal Reserve Bank of New York or from a Permitted Bank as counterparty to a written repurchase agreement obligating such counterparty to repurchase such obligations not later than 14 days after the purchase thereof and which provides that the obligations which are the subject thereof are held for the benefit of the Company or any of its Subsidiaries by a custodian which is a Permitted Bank and which is not a counterparty to the repurchase agreement in question;

(iv) the Company or any of its Subsidiaries may acquire Capital Stock or other ownership interests of a Person (i) located in the United States of America or Canada, (ii) incorporated or otherwise formed pursuant to the laws of the United States of America or Canada or any state or province thereof or the District of Columbia and (iii) engaged in substantially the same business as the Company which Person at the time of such acquisition is, or as a result thereof becomes, a Subsidiary of the Company;

(v) the Company or any of its Subsidiaries may make and own Investments (in addition to Investments permitted by clauses (i), (ii), (iii), and (iv) of this Section 6E) in any Person incorporated or otherwise formed pursuant to the laws of the United States of America or Canada or any state or province thereof or the District of Columbia; provided, however, that (i) the sum of (a) the aggregate amount of all such Investments made by the Company and its Subsidiaries following the Closing Date which are outstanding pursuant to this clause (v) plus (b) all other Investments held by the Company and its Subsidiaries which are outstanding as of the Closing Date and listed on Schedule 6E shall not at any date of determination exceed 10% of Consolidated Net Tangible Assets (the "Investment Limit"); (ii) the representation in Section 8S shall be true and correct as of the date of determination; and (iii) the aggregate amount of all such Investments made by the Company and its Subsidiaries and outstanding pursuant to this clause (v) in Persons engaged in a business which is not substantially the same as a line of business described in Section 6H shall not at any date exceed $3,000,000;

(vi) the Company may make and become liable with respect to any Interest Rate Agreements; and

(vii) any Subsidiary of the Company may make Investments in the Company.

6F. Restricted Payments. The Company will not directly or indirectly declare, order, pay, make or set apart any sum for any Restricted Payment, except that the Company may declare or order, and make, pay or set apart, once during each fiscal quarter a Restricted Payment if (i) such Restricted Payment is in an amount not exceeding Available Cash with respect to the immediately preceding quarter, and (ii) no Default or Event of Default exists before or immediately after any such proposed action.

6G. Consolidation, Merger, Sale of Assets, etc. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly,

(i) consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into it, except that:

(a) any Subsidiary of the Company may consolidate with or merge into the Company or a Wholly-Owned Subsidiary of the Company if the Company or a Wholly-Owned Subsidiary of the Company, as the case may be, shall be the surviving Person; and

(b) any entity (other than a Subsidiary of the Company) may consolidate with or merge into the Company or a Subsidiary if the Company or a Subsidiary of the Company, as the case may be, shall be the surviving Person and if, immediately after giving effect to such transaction, (I) the Company and its Subsidiaries (x) shall not have a Consolidated Net Worth, determined in

accordance with GAAP applied on a basis consistent with the consolidated financial statements of the Company most recently delivered pursuant to Section 5A, of less than the Consolidated Net Worth of the Company immediately prior to the effectiveness of such transaction, satisfaction of this requirement to be set forth in reasonable detail in an Officers' Certificate delivered to each holder of a Note at the time of such transaction, and (y) could incur at least $1.00 of additional Indebtedness in compliance with Section 6A and clause (xiii) of Section 6B, (II) substantially all of the assets of the Company and its Subsidiaries, taken as a whole, shall be located and substantially all of their business shall be conducted within the continental United States of America or Canada and (III) no Default or Event of Default shall exist and be continuing; and

(c) the Company may consolidate with or merge into any other entity if (I) the surviving entity is a corporation or limited partnership organized and existing under the laws of the United States of America or any state thereof or the District of Columbia, with substantially all of its properties located and its business conducted within the continental United States of America, (II) such corporation or limited partnership expressly and unconditionally assumes in writing the obligations of the Company under this Agreement, the Notes and the other Financing Documents, and delivers to each holder of a Note at the time outstanding an opinion of counsel satisfactory to the Required Holders with respect to the due authorization and execution of the related agreement of assumption and the enforceability of such agreement against such corporation or partnership, (III) immediately after giving effect to such transaction, such corporation or limited partnership (x) shall not have a Consolidated Net Worth, determined in accordance with GAAP applied on a basis consistent with the consolidated

financial statements of the Company most recently delivered pursuant to Section 5A (or if no such financials have yet been delivered under Section 5A, consistent with the consolidated financial statements referred to in Section 8D), of less than the Consolidated Net Worth of the Company immediately prior to the effectiveness of such transaction, satisfaction of this requirement to be set forth in reasonable detail in an Officers' Certificate delivered to each holder of a Note at the time of such transaction, and (y) could incur at least $1.00 of additional Indebtedness in compliance with Section 6A and clause (xiii) of Section 6B, and (IV) no Default or Event of Default shall exist and be continuing immediately before or after giving effect to such transaction; or

(ii) sell, lease, abandon or otherwise dispose of all or substantially all its assets, except that:

(a) any Subsidiary of the Company may sell, lease or otherwise dispose of all or substantially all its assets to the Company or to a Wholly-Owned Subsidiary of the Company; and

(b) the Company may sell, lease or otherwise dispose of all or substantially all its assets to any corporation or limited partnership into which the Company could be consolidated or merged in compliance with clause (i)(c) of this Section 6G, provided that each of the conditions set forth in such clause (i)(c) shall have been fulfilled; or

(iii) sell, lease, convey, abandon or otherwise dispose of (including, without limitation, in connection with a Sale and Lease-Back Transaction) any of its assets (except in a transaction permitted by clause (i)(a), (i)(b), (i)(c), (ii)(a) or (ii)(b) of this Section 6G or sales of inventory in the ordinary course of business consistent with past practice) or issue or sell Capital Stock of any Subsidiary of the Company, whether in a single transaction or a series of related transactions (each of the foregoing non- excepted transactions, an "Asset Sale"), unless:

(a) immediately after giving effect to such proposed disposition no Default or Event of Default shall exist and be continuing;

(b) such sale or other disposition is for cash consideration or for consideration consisting of not less than 75% cash and not more than 25% interest-bearing promissory notes; provided, that the 75% limitation referred to in this clause (b) shall not apply to any Asset Sale consisting solely of a sale or other disposition of unimproved land for an interest bearing promissory note as long as the amount of such promissory note does not exceed $250,000;

(c) one of the following two conditions must be satisfied:

(I) (x) the aggregate Net Proceeds of all assets so disposed of (whether or not leased back) over the immediately

preceding 12-month period does not exceed $5,000,000 and (y) the aggregate Net Proceeds of all assets so disposed of (whether or not leased back) from the Closing Date through the date of such disposition does not exceed $10,000,000; or

(II) in the event that such Net Proceeds (less the amount thereof previously applied in accordance with clause (x) of this clause (c)(II)) exceeds the limitations determined pursuant to clauses (x) and (y) of clause (c)(I) of this Section 6G (such excess amount being herein called "Excess Sale Proceeds"), the Company shall within 12 calendar months of the date on which such Net Proceeds exceeded any such limitation, cause an amount equal to such Excess Sale Proceeds to be applied (x) to the acquisition of assets in replacement of the assets so disposed of or of assets which may be productively used in the United States of America or Canada in the conduct of the Business, or (y) to the extent not applied pursuant to the immediately preceding clause (x), to offer to make prepayments on the Notes pursuant to Section 4C hereto and, allocated on the basis specified for such prepayments in the definition of Allocable Proceeds, to offer to repay other Parity Debt (other than Indebtedness under Section 6B(ii) or that by its terms does not permit such offer to be made); and

(d) the Company shall have delivered to the Noteholders a Certificate of the Board of Directors of the General Partner, certifying that such sale or other disposition is for fair value and is in the best interests of the Company.

Notwithstanding the foregoing, Asset Sales shall not be deemed to include (1) any transfer of assets or issuance or sale of Capital Stock by the Company or any of its

Subsidiaries to the Company or a Wholly-Owned Subsidiary of the Company, (2) any transfer of assets or issuance or sale of Capital Stock by the Company or any of its Subsidiaries to any Person in exchange for, or the Net Proceeds of which are applied within 12 months to the purchase of, other assets used in a line of business permitted under Section 6H and having a fair market value (as determined in good faith by the Board of Directors of the General Partner) not less than that of the assets so transferred or Capital Stock so issued or sold and (3) any transfer of assets pursuant to an Investment permitted by Section 6E.

6H. Business. The Company will not and will not permit any of its Subsidiaries to engage in any line of business if as a result thereof the Company and its Subsidiaries would not be principally and predominately engaged in the business of retail and wholesale propane sales and purchases of inventory, operation of related propane distribution networks and storage facilities and the acquisition, operation and maintenance of such facilities and related general and administrative operations, as more fully described in the Memorandum and subject in all respects to the provisions of clause (iii) of the proviso to Section 6E(v).

6I. Transactions with Affiliates. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, engage in any transaction with any Affiliate unless (i) (a) such transaction is on fair and reasonable terms that are no less favorable to the Company or such Subsidiary, as the case may be, than those which would be obtained in an arm's-length transaction from a Person other than an Affiliate and (b) such transaction is entered into in the ordinary course of business and pursuant to the reasonable requirements at the time of the Company's or such Subsidiary's operations, (ii) such transaction is in connection with the incurrence of Indebtedness pursuant to Section 6B(v), (iii) such transaction is in connection with the making of an Investment pursuant to Section 6E(i), (iv) such transaction is a Restricted Payment permitted by Section 6F, (v) such transaction involves performance under the Contribution Agreement (substantially in the form in effect on the Closing Date), (vi) such transaction involves indemnification and contribution under Section _____ of the Partnership Agreement (as said section is in effect on the Closing Date), to the extent such indemnification or contribution arises from operations or activities in connection with the Business (including securities issuances in connection with funding the Business) or (vii) such transaction is a specific transaction described in the Registration Statement.

6J. Subsidiary Stock and Indebtedness.

(i) The Company will not permit any of its Subsidiaries directly or indirectly to issue or sell any Equity Interest of such Subsidiary of the Company to any Person other than the Company or a Wholly-Owned Subsidiary of the Company except (a) for the purpose of qualifying directors or (b) in satisfaction of pre-emptive rights of holders of minority interests which are triggered by an issuance of Equity Interests to the Company or a Subsidiary of the Company and permit such holders to maintain their pro rata interests.

(ii) The Company will not directly or indirectly sell, assign, pledge or otherwise dispose of any Equity Interest in or any Indebtedness of any of its Subsidiaries, and will not permit any of its Subsidiaries directly or indirectly to sell, assign, pledge or otherwise dispose of any Equity Interest in or any Indebtedness of any other Subsidiary of the Company except to the Company or a Wholly-Owned Subsidiary of the Company, unless (a) simultaneously with such sale, transfer or disposition, all of the Equity Interests (other than an Equity Interest representing less than 2% of the outstanding Equity Interests of all classes of such Subsidiary taken together, provided that such Equity Interest is considered an Investment pursuant to Section 6E(v) and is permitted thereunder) or Indebtedness of such Subsidiary owned by the Company and its Subsidiaries is sold, transferred or disposed of as an entirety, (b) the Board of Directors of the General Partner shall have determined, as evidenced by a resolution thereof, that the proposed sale, transfer or disposition of such Equity Interests or Indebtedness is in the best interests of the Company, (c) such Equity Interests or Indebtedness are sold, transferred or otherwise disposed of for cash or Cash Equivalents or other assets used in a line of business permitted by Section 6H and having a fair market value (as determined in good faith by the Board of Directors of the General Partner) not less than that of the Equity Interests or Indebtedness so transferred, to a Person upon terms deemed by the Board of Directors of the General Partner to be acceptable, (d) the Subsidiary being sold, transferred or otherwise disposed of shall not have any continuing investment in the Company or any Subsidiary of the Company not being so sold, transferred or disposed and (e) such sale, transfer or disposition is permitted by Section 6G.

6K. Payment of Dividends by Subsidiaries. The Company will not, and will not permit any of its Subsidiaries to, be subject to or enter into any agreement which restricts the ability of any Subsidiary of the Company to declare or pay any dividend to the Company, to make any distribution on any Equity Interest of such Subsidiary to the Company, or to lend money to the Company.

6L. Sales of Receivables. The Company will not, and will not permit any of its Subsidiaries to, discount, pledge, sell (with or without recourse), or otherwise sell for less than face value thereof any of its accounts or notes receivable, except for sales of receivables (i) without recourse which are seriously past due and which have been substantially written off as uncollectible or collectible only after extended delays, or (ii) made in connection with the sale of a business but only with respect to the receivables directly generated by the business so sold.

6M. Material Agreements; Tax Status. The Company will not:

(i) amend or directly or indirectly modify in any manner the substantive effect of the provisions of Section _____, or the definitions of "Lenders' Portion" or "Designated Net Proceeds" of the Credit Agreement or any similar provisions of any agreement applicable to any extensions, renewals or refundings thereof as Parity Debt under the provisions of paragraph 6B(ii) or 6B(iii);

(ii) amend or modify in any manner adverse to the holders of the Notes, or grant any waiver or release under (if such action shall be adverse to the holders of the Notes), any Partnership Document, any notes evidencing Parity Debt or any agreement relating to Parity Debt or terminate in any manner any Partnership Document, it being understood, without limitation, that no modification that reduces principal, interest or fees, premiums, make-wholes or penalty charges, or extends any scheduled or mandatory payment, prepayment or redemption of principal or interest, or makes less restrictive any agreement or releases away any security, or waives any condition precedent or default shall be adverse to the holders of the Notes for purposes of this Agreement (the provisions of this clause (ii) being herein called the "Correlative Amendment Provisions"); or

(iii) permit the Master Partnership or the Company to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes.

The Correlative Amendment Provisions included in clause (ii) shall be of no force and effect at such time as, but only for so long as, none of the provisions of [Section 6.09(b)] of the Credit Agreement (or any similar provisions) shall be included in any agreement providing for or relating to any Parity Debt (as evidenced by a notice from the Company to all the holders of the Notes setting forth the relevant facts and circumstances) provided only that no financial accommodations shall have been extended to any holders of Parity Debt, or further or more restrictive covenants on the Company or its Subsidiaries were agreed to, in connection with the provisions of said [Section 6.09(b)] (or any such similar provisions) ceasing to be applicable as aforesaid.

7. EVENTS OF DEFAULT.

7A. Acceleration. If any of the following conditions or events ("Events of Default") shall occur and be continuing for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise):

(i) the Company defaults in the payment of any principal of, or Premium, if any, on any Note when the same becomes due and payable, either by the terms thereof or otherwise as herein provided; or

(ii) the Company defaults in the payment of any interest on any Note for more than 5 days after the same becomes due and payable; or

(iii) the Company or any Subsidiary of the Company (whether as primary obligor or as guarantor or other surety) defaults in any payment of principal of or interest on any Parity Debt or any other Indebtedness other than the Notes (including without limitation any Capitalized Lease Obligation, any obligation under a conditional sale or other title retention agreement, any obligation issued or assumed as full or partial payment for property whether or not secured by a purchase money mortgage or any obligation under notes payable or drafts accepted representing extensions of credit), beyond any period of grace provided with respect thereto, or the Company or any Subsidiary of the Company fails to perform or observe any other agreement or term or condition contained in any agreement under which any such obligation is created (or if any other event thereunder or under any such agreement shall occur and be continuing) and the effect of such failure or other event is to cause, or to permit the holder or holders of such Indebtedness (or a trustee on behalf of such holder or holders) to cause, such obligation to become due or to be repurchased prior to any stated maturity, provided that the aggregate amount of all Indebtedness as to which such a default (payment or other) shall occur and be continuing or such a failure or other event causing or permitting acceleration (or resale to the Company or any Subsidiary of the Company) shall occur and be continuing exceeds $2,000,000; or

(iv) any representation or warranty made in any writing by or on behalf of the Company, Heritage or the Operating Partnership in this Agreement, any other Financing Document or any instrument furnished pursuant to this Agreement or any Financing Document shall prove to have been false or incorrect in any material respect on the date as of which made; or

(v) the Company fails to perform, observe or comply with any agreement contained in Section 6; or

(vi) the Company fails to perform or observe any other agreement, term or condition contained in this Agreement or the other Financing Documents and such failure shall not be remedied within 30 days after any Responsible Officer obtains actual knowledge or notice thereof; or

(vii) the General Partner, the Company or any Significant Subsidiary Group makes an assignment for the benefit of creditors or is generally not paying its debts as such debts become due; or

(viii) any decree or order for relief in respect of the General Partner, the Company or any Significant Subsidiary Group is entered under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law, whether now or hereafter in effect (herein called the "Bankruptcy Law"), of any jurisdiction; or

(ix) the General Partner, the Company or any Significant Subsidiary Group petitions or applies to any tribunal for, or consents to, the appointment of, or taking possession by, a trustee, receiver, custodian, liquidator or similar official of the General Partner, the Company or any Significant Subsidiary Group , or of any substantial part of the assets of the General Partner, the Company or any Significant Subsidiary Group, or commences a voluntary case under the Bankruptcy Law of the United States or any proceedings (other than proceedings for the voluntary liquidation and dissolution of the General Partner, the Company or any Significant Subsidiary Group) relating to the General Partner, the Company or any Significant Subsidiary Group under the Bankruptcy Law of any other jurisdiction; or

(x) any such petition or application is filed, or any such proceedings are commenced, against the General Partner, the Company or any Significant Subsidiary Group and the General Partner, the Company or any Significant Subsidiary Group by any act indicates its approval thereof, consents thereto or acquiescences therein, or an order, judgment or decree is entered appointing any such trustee, receiver, custodian, liquidator or similar official, or approving the petition in any such proceedings, and such order, judgment or decree remains unstayed and in effect for more than 30 days; or

(xi) a judgment or judgments for the payment of money in excess of $2,000,000 in the aggregate (except to the extent covered by insurance as to which the insurer has acknowledged in writing its obligation to cover in full) shall be rendered against the Company or any Subsidiary of the Company and either (i) enforcement proceedings have been commenced by any creditor upon such judgment or order or (ii) within 45 days after entry thereof, such judgment is not discharged or execution thereof stayed pending appeal, or within 45 days after the expiration of any such stay, such judgment is not discharged; or

(xii) any order, judgment or decree is entered in any proceedings against the General Partner, the Company or any Significant Subsidiary Group decreeing the dissolution of the General Partner, the Company or any Significant Subsidiary Group and such order, judgment or decree remains unstayed and in effect for more than 30 days or any other event occurs that results in the termination, dissolution or winding up of the Company, subject to Section 6G, the General Partner or any Significant Subsidiary Group; or

(xiii) any order, judgment or decree is entered in any proceedings against the Company or any of its Subsidiaries decreeing a split-up of the Company or such Subsidiary which requires the divestiture of assets representing a substantial part, or the divestiture of the stock of a Subsidiary of the Company whose assets represent a substantial part of the consolidated assets of the Company and its

Subsidiaries (determined in accordance with GAAP) or which requires the divestiture of assets, or stock of a Subsidiary of the Company, which shall have contributed a substantial part of the Consolidated Net Income of the Company and its Subsidiaries for any of the three fiscal years then most recently ended, and such order, judgment or decree shall not be dismissed or execution thereon stayed pending appeal or review within 45 days after entry thereof, or in the event of such a stay, such order, judgment or decree shall not be dismissed within 45 days after such stay expires; or

(xiv) any of the Security Documents shall at any time, for any reason cease to be in full force and effect or shall fail to constitute a valid, perfected first priority Lien with respect to the Collateral or shall be declared to be null and void in whole or in any material respect (i.e., relating to the validity or priority of the Liens created by the Security Documents or the remedies available thereunder) by the judgment of any court or other Governmental Authority having jurisdiction in respect thereof, or if the validity or the enforceability of any of the Security Documents shall be contested by or on behalf of the Company, or the Company shall renounce any of the Security Documents, or deny that it is bound by the terms of any of the Security Documents; or

(xv) (a) the General Partner shall be engaged in any business or activities other than those permitted by the Partnership Agreement as in effect on the Closing Date, or (b) Heritage ceases to be the sole general partner of the Company or the Master Partnership, or (c) Current Management shall own, directly or indirectly, less than 51% of the Capital Stock of the General Partner; or

(xvi) an ERISA Event shall have occurred that, when taken together with all other such ERISA Events that have occurred, could reasonably be expected to result in liability of the Company and its ERISA Affiliates in an aggregate amount exceeding $2,000,000; or

(xvii) an event of default under any of the Security Documents has occurred and is continuing.

then (a) if such event is an Event of Default specified in clause (i) or (ii) of this Section 7A, the holder of any Note (other than the Company or any of its Subsidiaries or Affiliates) may at its option, by notice in writing to the Company, declare such Note to be, and such Note shall thereupon be and become, immediately due and payable together with interest accrued thereon and together with the Yield-Maintenance Amount, if any, with respect to such Note, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company, (b) if such event is an Event of Default specified in clause (viii), (ix) or (x) of this Section 7A with respect to the Company, all of the Notes at the time outstanding shall automatically become immediately due and payable together with interest accrued thereon and together with the Yield-Maintenance Amount, if any, with respect to each such Note, without presentment demand, protest or notice of any kind, all of which are hereby waived by the Company, and (c) if such event is not an Event of Default specified in clause (i), (ii), (viii), (ix) or (x) of this Section 7A with respect to the Company, the Required Holder(s) may at its or their option, by notice in writing to the Company, declare all of the Notes to be, and all of the Notes shall thereupon be and become, immediately due and payable together with interest accrued thereon and together with the Yield-Maintenance Amount, if any, with respect to each Note, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company.

The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of the Yield- Maintenance Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default is intended to provide prepaid compensation for the deprivation of such right under such circumstances.

7B. Rescission of Acceleration. At any time after any or all of the Notes shall have been declared immediately due and payable pursuant to Section 7A, the Required Holder(s) may, by notice in writing to the Company, rescind and annul such declaration and its consequences if (i) the Company shall have paid all overdue interest on the Notes, the principal of and Premium, if any, payable with respect to any Notes which have become due otherwise than by reason of such declaration, and interest on such overdue interest and overdue principal and Premium at the rate specified in the Notes, (ii) the Company shall

not have paid any amounts which have become due solely by reason of such declaration, (iii) all Events of Default and Defaults, other than non- payment of amounts which have become due solely by reason of such declaration, shall have been cured or waived pursuant to Section 11C, and (iv) no judgment or decree shall have been entered for the payment of any amounts due pursuant to the Notes or this Agreement. No such rescission or annulment shall extend to or affect any subsequent Event of Default or Default or impair any right arising therefrom.

7C. Notice of Acceleration or Rescission. Whenever any Note shall be declared immediately due and payable pursuant to Section 7A or any such declaration shall be rescinded and annulled pursuant to Section 7B, the Company shall forthwith give written notice thereof to the holder of each Note at the time outstanding.

7D. Other Remedies. If any Event of Default or Default shall occur and be continuing, the holder of any Note may proceed to protect and enforce its rights under this Agreement and such Note by exercising such remedies as are available to such holder in respect thereof under applicable law, either by suit in equity or by action at law, or both, whether for specific performance of any covenant or other agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement. No remedy conferred in this Agreement upon the holder of any Note is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or now or hereafter existing at law or in equity or by statute or otherwise.

8. REPRESENTATIONS, COVENANTS AND WARRANTIES. Each of Heritage and the Company represents, covenants and warrants as follows:

8A. Organization. Heritage is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own and operate its properties (including without limitation the assets owned and operated by it after giving effect to the Transactions), to conduct its business, to enter into this Agreement, the other Financing Documents to which it is a party and the Operative Agreements, to issue and sell the Notes and to carry out the terms of this Agreement, the Notes, and such other Financing Documents and the Operative Agreements. The Operating Partnership is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware

and has all requisite partnership power and authority to own and operate its properties (including without limitation the assets owned and operated by it after giving effect to the Transactions), to conduct its business, to enter into this Agreement and the other Financing Documents to which it is a party and the Operative Agreements, to assume all of Heritage's obligations under the Notes and to carry out the terms of this Agreement, the Notes, such other Financing Documents and Operative Agreements. Each Subsidiary of the Company is duly organized, validly existing and in good standing under the laws of its state of organization and has all requisite power and authority to own and operate its properties (including without limitation the assets owned and operated by it).

8B. Partnership Interests. The sole general partner of the Operating Partnership is Heritage, which upon the Closing will own a 1.0101% general partner interest in the Operating Partnership. Upon the Closing (a) the only limited partner of the Operating Partnership will be the Master Partnership, which will own a 98.9899% limited partner interest in the Operating Partnership as provided in the Registration Statement, and (b) the Operating Partnership will not have any partners other than Heritage and the Master Partnership. The Operating Partnership does not have, and immediately after giving effect to the Transactions will not have, any Subsidiary other than the Subsidiaries of the Company as set forth on Schedule 8B or any Investments in any Person (other than as set forth on Schedule 6E or 8B or Investments of the types described in Section 6E(i), (ii), (iii) or (vi)).

8C. Qualification. Heritage is duly qualified or registered and is in good standing as a foreign corporation for the transaction of business, the Operating Partnership is duly qualified or registered and is in good standing as a foreign limited partnership for the transaction of business, and each of the Subsidiaries of the Company is duly qualified or registered and is in good standing as a foreign corporation or partnership, as the case may be, for the transaction of business, in the states and to the extent listed in Schedule 8C, and, except as reflected on Schedule 8C, there are no other jurisdictions in which the nature of their respective activities or the character of the properties they own, lease or use makes such qualification or registration necessary and in which the failure so to qualify or to be so registered would have a Material Adverse Effect. Heritage has taken all necessary corporate action to authorize the execution, delivery and performance by it of this Agreement, the Notes, the other Financing Documents to which it is a party and the Operative Agreements. The Operating Partnership has taken all necessary partnership action to authorize the execution, delivery and performance by it of this Agreement, the other Financing Documents to which it is a party and the Operative Agreements, and to assume all of Heritage's obligations under the Notes. At or prior to the Closing, Heritage

will have duly executed and delivered each of this Agreement, the Notes, the other Financing Documents to which it is a party and the Operative Agreements, and each of such documents and instruments and the Notes and the Security Documents will constitute the legal, valid and binding obligation of Heritage enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). At or prior to the Closing, the Operating Partnership will have duly executed and delivered each of this Agreement, the other Financing Documents and the Operative Agreements to which it is a party, and each of such documents and agreements and the Notes and the Security Documents will constitute the legal, valid and binding obligation of the Operating Partnership enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

8D. Business; Financial Statements.

(i) Heritage has delivered to you complete and correct copies of (a) the Registration Statement and (b) the Memorandum. The pro forma condensed consolidated financial statements of the Master Partnership set forth in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the published rules and regulations thereunder and the assumptions on which the pro forma adjustments reflected in such pro forma condensed consolidated financial statements are based provide a reasonable basis for presenting the significant effects of the transactions contemplated by such pro forma condensed consolidated financial statements and such pro forma adjustments give appropriate effect to such assumptions and are properly applied in such pro forma condensed consolidated financial statements.

(ii) The Operating Partnership has not engaged in any business or activities prior to the date of this Agreement, except for activities related to its formation, organization and prospective operations, and will not have any significant assets or liabilities prior to the completion of the Transactions, except as

contemplated by this Agreement. Immediately prior to the date of this Agreement each Subsidiary of the Company was engaged in the business indicated on Schedule 8B.

(iii) The Registration Statement contains complete and correct copies of (a) the audited balance sheets of Heritage as of August 31, 1995 and August 31, 1994, and the related audited statements of operations and cash flows for the fiscal years ended August 31, 1995, August 31, 1994 and August 31, 1993 and (b) the unaudited condensed balance sheets of Heritage as of February 29, 1996 and the related unaudited condensed statements of operations and cash flows for the three months ended February 29, 1996 and February 29, 1995. Such financial statements (including any related schedules and notes) are true and correct in all material respects (subject, as to interim statements, to changes resulting from audits and year-end adjustments), have been prepared in accordance with GAAP consistently followed throughout the periods involved and show all liabilities, direct and contingent, of Heritage required to be shown in accordance with such principles. The balance sheets fairly present the financial condition of Heritage as at the respective dates thereof, and the results of operations and cash flows fairly present the results of operations of Heritage and its consolidated cash flows for the periods indicated.

(iv) Heritage has delivered to you complete and correct copies of the unaudited pro forma condensed consolidated balance sheet of the Operating Partnership as of February 26, 1996 giving effect to the Transactions. Such balance sheet has been prepared in accordance with GAAP to the extent applicable to such balance sheet and fairly presents in all material respects the financial position of the Operating Partnership on a pro forma basis immediately after the Transactions in accordance with the assumptions disclosed therein at the date of such balance sheet.

(v) Heritage has delivered to you true and correct copies of the documents and other materials listed on Schedule 8D.

8E. Actions Pending. There is no action, suit, investigation or proceeding pending or, to the knowledge of Heritage or the Operating Partnership, threatened against Heritage, Operating Partnership or any of the Subsidiaries of the Company, or any properties or rights of Heritage, the Operating Partnership or any of the Subsidiaries of the Company, by or before any court, arbitrator or administrative or governmental body (i) which questions the validity or enforceability of this Agreement, the Notes, any other Financing Document or any Operative Agreement or any action to be taken pursuant to this Agreement, the Notes, any other Financing Document or any Operative Agreement or (ii) which could reasonably be expected to result in a Material Adverse Effect.

8F. Changes. Except as contemplated by this Agreement, the Notes, the other Financing Documents or the Operative Agreements or as described in the Registration Statement or the Memorandum, (i) none of Heritage, the Operating Partnership or any of the Subsidiaries of the Company has incurred any material liabilities or obligations, direct or contingent, nor entered into any material transaction, in each case other than in the ordinary course of business, and (ii) there has not been any material adverse change in or effect on the business, assets, financial condition or prospects of Heritage or the Operating Partnership or any of the Subsidiaries of the Company. There has not been, and on or prior to the Closing Date there will not be, any Restricted Payment of any kind declared, paid or made by Heritage or the Operating Partnership except as specifically described in the Registration Statement. There has not been, prior to the Transactions, any incurrence of Indebtedness under the Acquisition Facility or the Revolving Working Capital Facility.

8G. Outstanding Indebtedness. Other than the Indebtedness represented by the Notes, neither Heritage, the Operating Partnership nor any of the Subsidiaries of the Company as set forth on Schedule 8B has outstanding any Indebtedness except as set forth on Schedule 8G and any such Indebtedness which is indicated in Schedule 8G to be paid in full on the Closing Date will be paid in full at the time of Closing. There exists no default under the provisions of any instrument evidencing such Indebtedness or of any agreement relating thereto. Immediately after giving effect to the Transactions, no instrument or agreement to which the Operating Partnership or any of the Subsidiaries of the Company is a party or by which the Operating Partnership, any such Subsidiary, or their respective

properties is bound (other than this Agreement and the Credit Agreement and other than as indicated in Schedule 8G) will contain any restriction on the incurrence by the Operating Partnership or any of the Subsidiaries of the Company of additional Indebtedness.

8H. Transfer of Assets and Business; Title to Properties.

(i) Except as set forth on Schedule 8H, each of Heritage, the Operating Partnership and the Subsidiaries of the Company will at the Closing, after giving effect to the Transactions, be in possession of, and operating in compliance with, all franchises, grants, authorizations, approvals, licenses, permits, easements, rights-of-way, consents, certificates and orders (collectively, the "Permits") required (a) to own, lease or use its properties (including without limitation to own, lease or use the Assets owned, leased or used by it) and (b) considering all such Permits in the possession of, and complied with by, the Operating Partnership and its Subsidiaries taken together, to permit the conduct of the Business as now conducted and proposed to be conducted, except for those Permits (x) which are routine and administrative in nature and are expected in the reasonable judgment of the Operating Partnership to be obtained or given in the ordinary course of business after the Closing , and (y) which, if not obtained or given, would not, individually or in the aggregate, present a reasonable likelihood of having a Material Adverse Effect,

(ii) Except as set forth on Schedule 8H, on the date hereof, Heritage has, and on the Closing Date and after giving effect to the Transactions, the Operating Partnership and the Subsidiaries of the Company will have, (i) good and marketable title to, or valid leasehold interests in, all of the Assets constituting real property except for defects in, or lack of recorded, title and exceptions to leasehold interests that either alone or in the aggregate could not reasonably be expected to result in a Material Adverse Effect, and (ii) good and sufficient title to, or valid rights to use, all of the Assets constituting personal property reasonably necessary for the operation of such personal property as it is used on the date hereof and proposed to be used in the Business, in each case subject to no Liens except such as

are permitted by Section 6C and Liens, if any, which will be discharged at the Closing. The Assets owned by the Operating Partnership and the Subsidiaries of the Company after giving effect to the Transactions will be all of the assets and properties reasonably necessary to enable the Operating Partnership and its Subsidiaries to conduct the Business after the Transactions as described in the Registration Statement and the Memorandum. Subject to such exceptions as would not, individually or in the aggregate, present a reasonable likelihood of having a Material Adverse Effect (A) on the date hereof Heritage and its Subsidiaries enjoy, and upon the completion of the Transactions the Operating Partnership and the Subsidiaries of the Company will enjoy, peaceful and undisturbed possession under all leases and subleases necessary in any material respect for the conduct of the Business, and (B) all such leases and subleases are valid and subsisting and are in full force and effect. None of the properties or assets of Heritage, the Operating Partnership or any of the Subsidiaries of the Company is subject to any Lien other than Liens that would be permitted to be imposed pursuant to Section 6C as of the Closing Date, immediately after giving effect to the Transactions.

(iii) Except as set forth on Schedule 8H, upon the completion of the Closing, Heritage will have transferred to the Operating Partnership record and beneficial ownership of properties, easements and licenses comprising all of the Assets previously owned or operated by it (including the assets of any entity consolidating with or merging into Heritage).

(iv) Except as set forth on Schedule 8H, on the Closing Date and immediately after giving effect to the Transactions, the Assets will constitute all of the Collateral.

8I. Taxes. On the Closing Date and after giving effect to the Transactions, each of the Operating Partnership and its Subsidiaries will have filed all federal, state and other income tax returns which, to the knowledge of the Operating Partnership, are required to be filed or will have properly filed for extensions of time for the filing thereof, and has paid

all taxes, assessments and other governmental charges levied upon it or any of its properties, assets, income or franchises as shown to be due on such returns, except those which are not past due or are being contested in good faith in compliance with Section 5F. The Operating Partnership is a limited partnership not subject to taxation with respect to its income or gross receipts under applicable state laws and that is treated as a pass-through entity for U.S. federal income tax purposes.

8J. Compliance with Other Instruments, etc.; Solvency.

(i) On the Closing Date, immediately prior to the completion of any of the transactions contemplated by the Registration Statement (including without limitation the transactions contemplated by this Agreement, the Notes, the other Financing Documents and the Operative Agreements), neither Heritage, the Operating Partnership nor any of the Subsidiaries of the Company will be in violation of (a) any provision of its certificate or articles of incorporation or other constitutive documents or its by-laws, (b) any provision of any agreement or instrument to which it is a party or by which any of its properties is bound or (c) any applicable law, ordinance, rule or regulation of any Governmental Authority or any applicable order, judgment or decree of any court, arbitrator or Governmental Authority except (in the case of clauses (b) and (c) above only) for such violations which would not, individually or in the aggregate, present a reasonable likelihood of having a Material Adverse Effect.

(ii) The execution, delivery and performance of this Agreement, the Notes, the other Financing Documents and the Operative Agreements, and the completion of the transactions contemplated by the Registration Statement to occur prior to or at the time of the Closing (including without limitation the transactions contemplated by this Agreement, the Notes, the other Financing Documents and the Operative Agreements) will not violate (a) any provision of the certificate or articles of incorporation or other constitutive documents or by-laws of Heritage, the Operating Partnership or any of the Subsidiaries of the Company, (b) any applicable law, ordinance, rule or regulation of any Governmental Authority or any applicable order, judgment or decree of any court, arbitrator or Governmental Authority, or (c) any provision of any agreement or instrument to which Heritage, the Operating Partnership or any of the Subsidiaries of the Company is a party or by which any of its properties is bound.

(iii) Upon giving effect to the issuance of the Notes on the Closing Date both before and after giving effect to the assumption of the Notes by the Operating Partnership, no Note shall be "in default", as that term is used in section 1405(a)(2) of the New York Insurance Law. Each of Heritage and the Operating Partnership is, and upon giving effect to the issuance by Heritage, and the assumption by the Operating Partnership, of the Notes on the Closing Date, will be, a "solvent institution", as that term is used in section 1405 of the New York Insurance Law, whose "obligations are not in default as to principal or interest", as those terms are used in said section 1405(c).

(iv) Upon completion of the transactions contemplated by the Registration Statement to occur prior to or at the time of Closing (including, without limitation, the transactions contemplated by this Agreement, the Notes, the other Financing Documents and the Operative Agreements), none of Heritage, the Operating Partnership or any Subsidiary of the Company shall (a) be insolvent, (b) be engaged or about to engage in business or a transaction at a time Heritage, the Operating Partnership or any Subsidiary of the Company could be viewed as having unreasonably small capital, or (c) intend to incur, or believe that it would incur, debts that would be beyond its ability to pay as such debts matured.

8K. Governmental Consent. No consent, approval or authorization of, or declaration or filing with, any Governmental Authority is required for the valid execution, delivery and performance of this Agreement, the Notes, the other Financing Documents or the Operative Agreements, or for the valid offer, issue, sale, delivery and performance of the Notes pursuant to this Agreement.

8L. Offering of Notes. Neither Heritage, the Operating Partnership nor any of their respective Affiliates nor any agent acting on behalf of any of the foregoing has, directly or indirectly, offered the Notes or any part thereof or any similar security of Heritage or the Operating Partnership for sale to, or solicited any offers to buy any of the same from, or otherwise approached or negotiated with respect thereto with, any Person other than the Purchasers and not more than [___] other institutional investors, and neither Heritage, the Operating Partnership nor anyone acting on their respective behalfs has taken or will take any action which would subject the issuance or sale of the Notes to the provisions of section 5 of the Securities Act or to the provisions of any securities or "blue sky" laws of any applicable jurisdiction.

8M. Use of Proceeds. The net proceeds from the sale of the Units by the Partnership will be used as contemplated by the Registration Statement, including the final

form of prospectus filed under Rule 424(b)(1) of the Securities Act. The net proceeds of the sale of the Notes will be used to repay a portion of the pre-existing Indebtedness of Heritage assumed by the Operating Partnership and to repurchase equity interests of the stockholders of Heritage (the "Equity Repurchase"), all as contemplated by the Registration Statement, including such final form of prospectus. None of such proceeds will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any margin stock (as defined in Section 8S hereof) or for the purpose of maintaining, reducing or retiring any Indebtedness which was originally incurred to purchase or carry any stock that is currently a margin stock or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of such Regulation G. Neither Heritage nor the Operating Partnership nor anyone acting on their respective behalfs has taken or will take any action which might cause this Agreement or the Notes to violate Regulation G, Regulation T or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Exchange Act, in each case as in effect now or as the same may hereafter be in effect.

8N. ERISA. Each of Heritage and the Operating Partnership and their respective ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect. The present value of all benefit liabilities under each Plan (based on those assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the last annual valuation date applicable thereto, exceed by more than $5,000,000 the fair market value of the assets of such Plan, and the present value of all benefit liabilities of all underfunded Plans (based on those assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the last annual valuation dates applicable thereto, exceed by more than $5,000,000 the fair market value of the assets of all such underfunded Plans.

8O. Environmental Compliance.

(i) Except where the failure to be in compliance could not present a reasonable likelihood of having a Material Adverse Effect, as of the date hereof Heritage is, and immediately after giving effect to the Transactions, the Operating Partnership and each Subsidiary of the Company will be, in compliance with all

Environmental Laws applicable to it and to the Business or Assets. Heritage has obtained and at Closing the Operating Partnership and each Subsidiary of the Company will be in compliance with all franchises, grants, authorizations, permits, licenses, and approvals required under Environmental Laws, except for any non-compliance or failure to obtain such permits which could not reasonably be expected to have a Material Adverse Effect. Heritage has submitted timely and complete applications to renew any expired or expiring Permits required pursuant to any Environmental Law, except for any non-compliance or failure to obtain such permits which could not reasonably be expected to have a Material Adverse Effect. All reports, documents, or other submissions required by Environmental Laws to be submitted by Heritage or the Operating Partnership to any Governmental Authority or Person have been filed by Heritage and the Operating Partnership, except where the failure to do so would not present a reasonable likelihood of having a Material Adverse Effect.

(ii) (a) There is no Hazardous Substance present at any of the real property currently owned or leased by Heritage, the Operating Partnership or any of the Subsidiaries of the Company except to the extent that such presence could not reasonably be expected to have a Material Adverse Effect, and (b) to the knowledge of Heritage and the Operating Partnership, there was no Hazardous Substance present at any of the real property formerly owned or leased by Heritage during the period of ownership or leasing by such Person; and with respect to such real property and subject to the same knowledge and temporal qualifiers concerning Hazardous Substances with respect to formerly owned or leased real properties, there has not occurred (x) any release, or to the knowledge of Heritage and the Operating Partnership, any threatened release of a Hazardous Substance, or (y) any discharge or, to the knowledge of Heritage and the Operating Partnership, threatened discharge of any Hazardous Substance into the ground, surface or navigable waters which discharge or threatened discharge violates any federal, state, local or foreign laws, rules or regulations concerning water pollution.

(iii) None of Heritage, the Operating Partnership or any of the Subsidiaries of the Operating Partnership has disposed of, transported, or arranged for the transportation or disposal of any Hazardous Substance where such disposal, transportation, or arrangement would give rise to liability pursuant to CERCLA or any analogous state statute other than any such liabilities that could not reasonably be expected to have a Material Adverse Effect.

(iv) As of the date hereof: (a) no Lien has been asserted by any Governmental Authority or person resulting from the use, spill, discharge, removal, or remediation of any Hazardous Substance with respect to any real property currently owned or leased by Heritage or the Operating Partnership, and (b) to the knowledge of Heritage and the Operating Partnership, no such Lien was asserted with respect to any of the real property formerly owned or leased by Heritage during the period of ownership or leasing of the real property by such Person.

(v) (a) There are no underground storage tanks, asbestos-containing materials, polychlorinated biphenyls, or urea formaldehyde insulation at any of the real property currently owned or leased by Heritage or the Operating Partnership in violation of any Environmental Law, and (b) to the knowledge of Heritage and the Operating Partnership, there were no underground storage tanks, asbestos-containing materials, polychlorinated biphenyls, or urea formaldehyde insulation at any of the real property formerly owned or leased by Heritage in violation of any Environmental Law during the period of ownership or leasing of such real property by such Person.

(vi) As of the date hereof, any propane is stored, used and handled by Heritage, the Operating Partnership and the Subsidiaries of the Company in compliance with all applicable Environmental Laws except for any storage, use or

handling of propane that could not reasonably be expected to have a Material Adverse Effect.

8P. Pre-emptive Rights. There are no pre-emptive rights to which a holder of a minority interest in any Subsidiary of the Company is entitled.

8Q. Disclosure. This Agreement, the Notes, the other Financing Documents, the Operative Agreements, the Memorandum and any other document, certificate or statement furnished to any Purchaser by or on behalf of Heritage, the Operating Partnership or their respective Subsidiaries or Affiliates, in connection herewith, taken together, do not contain and the Registration Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading. There is no fact known to Heritage or the Operating Partnership which has or in the future could reasonably be expected to have (so far as Heritage or the Operating Partnership can now foresee) a Material Adverse Effect and which has not been set forth in this Agreement or in the other documents, certificates and statements furnished to each Purchaser by or on behalf of Heritage or the Operating Partnership (including the Registration Statement) prior to the date hereof in connection with the transactions contemplated hereby.

8R. Federal Reserve Regulations. None of Heritage, the Operating Partnership, or any Subsidiary of the Company will, directly or indirectly, use any of the proceeds of the sale of the Notes for the purpose, whether immediate, incidental or ultimate, of buying a "margin stock" or of maintaining, reducing or retiring any indebtedness originally incurred to purchase a stock that is currently a "margin stock", or for any other purpose which might constitute this transaction a "purpose credit" which is secured "directly or indirectly by margin stock", in each case within the meaning of Regulation G of the Board of Governors of the Federal Reserve System (12 C.F.R. 207, as amended), or otherwise take or permit to be taken any action which would involve a violation of such Regulation G or of Regulation X (12 C.F.R. 224, as amended) or any other applicable regulation of such Board. No indebtedness being retired, directly or indirectly, out of the proceeds of the sale of the Notes was incurred for the purpose of purchasing or carrying any stock which is currently a "margin stock", and neither Heritage nor the Operating Partnership owns or has any present intention of acquiring any amount of such "margin stock".

8S. Investment Company Act. None of Heritage, the Operating Partnership or any Subsidiary of the Company is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

8T. Public Utility Holding Company Act. Each of Heritage, the Operating Partnership and each Subsidiary of the Company is exempt from all of the provisions of the Public Utility Holding Company Act of 1935, as amended (the "PUHCA") and the rules thereunder other than Section 9(a)(2) thereof based upon the filing by the Partnership and Heritage with the Commission of an exemption application on [____________] and prior orders issued by the Commission.

8U. Matters Relating to the General Partner. Immediately after the Transactions, the ownership of Heritage and the Master Partnership shall be, in all material respects, as described in the Registration Statement. Heritage will own, in addition to the interest described in Section 8B, a 1% general partner interest in the Master Partnership and 3,702,943 Subordinated Units, representing a 47.0% limited partner interest in the Master Partnership and the Operating Partnership on a combined basis, if no overallotment option is exercised by the Underwriters or representing a 43.6% limited partnership interest in the Master Partnership and the Operating Partnership on a combined basis, if the overallotment option is exercised in full by the Underwriters.

9. REPRESENTATIONS OF EACH PURCHASER. Each Purchaser severally and not jointly represents as follows:

9A. Nature of Purchase. Such Purchaser is not acquiring the Notes to be purchased by it hereunder with a view to or for sale in connection with a distribution of the Notes within the meaning of the Securities Act, provided that the disposition of such Purchaser's property shall at all times be and remain within its control.

9B. Source of Funds. At least one of the following statements is an accurate representation as to the source of funds (the "Source") to be used by such Purchaser to pay the purchase price of the Notes purchased by such Purchaser hereunder:

(i) the Source is a general account of an insurance company, and the amount of the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance commissioners (the "NAIC Annual Statement")) for the general account contract(s) held by or on behalf of any employee benefit plans (as defined by Section 3(3) of ERISA) together with the amount of the reserves and liabilities (as defined by the NAIC Annual Statement) for the general account contract(s) held by or on behalf of any other such employee benefit plans maintained by the same employer (or affiliate thereof as defined in United States Department of Labor's Prohibited Transaction Class Exemption ("PTCE") 95-60) or by the same employee organization do not exceed 10% of the total reserves and liabilities of such general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with the state of domicile of the insurance company. For purposes of the percentage limitation above, the amount of reserves and liabilities for the general account contract(s) held by or on behalf of an employee benefit plan shall be determined before reduction for credits on account of any reinsurance ceded on a coinsurance basis; or

(ii) the Source is either (a) an insurance company pooled separate account, within the meaning of PTCE 90-1 (issued January 29, 1990), or (b) a bank collective investment fund, within the meaning of PTCE 91-38 (issued July 12, 1991) and, except as disclosed on a list that has been provided by such Purchaser to the Company, no employee benefit plan or group of plans maintained by the same employer or employee organization participates to the extent of 10% or more of all assets allocated to such pooled separate account or collective investment fund; or

(iii) the Source constitutes assets of an "investment fund" (within the meaning of Part V of PTCE 84-14 (the "QPAM Exemption")) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of

Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed on Schedule 9B hereto; or

(iv) the Source is a governmental plan; or

(v) the Source is one or more employee benefit plans or plans or a separate account, trust fund or other entity the assets of which consist of "plan assets" of any employee benefit plans or plans as defined in Department of Labor regulation Section 2510.3-101, and each such employee benefit plan or plan has been disclosed on Schedule 9B hereto; or

(vi) the Source does not include assets of any employee benefit plan (other than a plan exempt from the coverage of ERISA) or plan or any other entity the assets of which consist of "plan assets" of employee benefit plans or plans as defined in Department of Labor regulation Section 2510.3-101.

As used in this Section 9B, the terms "employee benefit plan", "governmental plan", "party in interest" and "separate account" shall have the respective meanings assigned to

such terms in Section 3 of ERISA, and the term "plan" has the meaning assigned thereto in Section 4975(e)(1) of the Code.

9C. Status of Purchaser. By its execution of this Agreement, each Purchaser severally represents that it is an "accredited investor" by reason of the provisions of clause (1), (3) or (7) of the definition of that term in Regulation D under the Securities Act.

9D. Representations of Each Purchaser to Each Other Purchaser. By its execution of this Agreement, each Purchaser severally represents and acknowledges to each other Purchaser that it has, independently and without reliance upon any other Purchaser and based on the financial statements referred to in Section 8D, the Memorandum and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Purchaser also severally represents and acknowledges to each other Purchaser that it will, independently and without reliance upon any other Purchaser and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. The provisions of this Section 9C are for the sole benefit of the Purchasers and are not intended to benefit or to confer any right upon the Company or any other Person.

10. DEFINITIONS. For the purpose of this Agreement, the terms defined in the introductory sentence and in Sections 1 and 2 shall have the respective meanings specified therein, and the following terms shall have the meanings specified with respect thereto below:

10A. Yield-Maintenance Terms.

"Business Day" shall mean any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

"Called Principal" shall mean, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 4B or 4C or is declared to be immediately due and payable pursuant to Section 7A, as the context requires.

"Discounted Value" shall mean, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to

such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" shall mean, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported, as of 10:00 a.m. (New York City time) on the Business Day next preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 678" on the Telerate Service (or such other display as may replace Page 678 on the Telerate Service) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, (ii) the Treasury Constant Maturity Series yields reported, for the latest day for which such yields shall have been so reported as of the Business Day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H. 15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield shall be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between yields reported for various maturities if no maturity corresponds to the applicable Remaining Average Life.

"Remaining Average Life" shall mean, with respect to the Called Principal of any Note, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) each Remaining Scheduled Payment of such Called Principal (but not of interest thereon) by (b) the number of years (calculated to the nearest one-twelfth year) which will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" shall mean, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due on or after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date.

"Settlement Date" shall mean, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 4B or 4C or is

declared to be immediately due and payable pursuant to Section 7A, as the context requires.

"Yield-Maintenance Amount" shall mean, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Called Principal of such Note over the sum of (i) such Called Principal plus (ii) interest accrued thereon as of (including interest due on) the Settlement Date with respect to such Called Principal. The Yield-Maintenance Amount shall in no event be less than zero.

10B. Other Terms.

"Accepting Holders" shall have the meaning specified in Section 4D(iii).

"Acquired Debt" shall mean with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person merged with or into or became a Subsidiary of such specified Person, including Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person and (ii) Indebtedness encumbering any asset acquired by such specified Person.

"Acquisition Facility" shall mean the proposed $35,000,000 acquisition revolving credit facility of the Company provided for in the Credit Agreement for the purpose of financing acquisitions and improvements and repairs.

"Additional Parity Debt" shall mean Indebtedness of the Company named in accordance with Section 6A and clause (xiii) of Section 6B to fund acquisitions or provide working capital, provided, that the covenants imposed on the Company therein or in any agreement or instrument relating thereto are no more restrictive than the covenants imposed on the Company herein, and provided, further, that no such Indebtedness shall be deemed Additional Parity Debt unless immediately before and after giving effect to the incurrence thereof no Default or Event of Default shall have occurred and be continuing.

"Affiliate" shall mean, with respect to any Person any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person , except a Subsidiary of such Person. A Person shall be deemed to control a corporation if such Person (i) possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract or otherwise or (ii) owns at least 5% of the

Voting Stock of a corporation. As applied to the Company, "Affiliate" includes without limitation the General Partner and the Master Partnership.

"Agent" shall mean the Bank of Oklahoma, National Association, together with its successors, as agent, under the Credit Agreement.

"Agreement" shall have the meaning set forth in Section 11C.

"Allocable Proceeds" shall mean, with respect to Excess Sale Proceeds or Excess Taking Proceeds, as the case may be, to be applied on any date pursuant to Sections 4C and 4D, the principal amount thereof available to prepay the Notes determined by allocating such Excess Sale Proceeds or Excess Taking Proceeds, as the case may be, pro rata among the holders of all Notes and other Parity Debt (other than Indebtedness permitted by Section 6(B)(ii)), if any, according to the aggregate principal amounts of the Notes and such other Parity Debt outstanding on the date the applicable prepayment is to be made in accordance with Sections 4C and 4D.

"Asset Acquisition" shall mean (a) an Investment by the Company or any Subsidiary of the Company in any other Person pursuant to which such Person shall become a Subsidiary of the Company or shall be merged with or into the Company or any Subsidiary of the Company, (b) the acquisition by the Company or any Subsidiary of the Company of the assets of any Person which constitute all or substantially all of the assets of such Person or (c) the acquisition by the Company or any Subsidiary of the Company of any division or line of business of any Person (other than a Subsidiary of the Company).

"Asset Sale" shall have the meaning specified in Section 6G(iii).

"Assets" shall have the meaning specified in the second opening paragraph hereof.

"Attributable Debt" shall mean, with respect to any Sale and Lease-Back Transaction not involving a Capitalized Lease Obligation, as of any date of determination, the total obligation (discounted to present value at the rate of interest implicit in the lease included in such transaction) of the lessee for rental payments (other than accounts required to be paid on account of property taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items which do not constitute payments for property rights) during the remaining portion of the term (including extensions which are at the sole option of the lessor) of the lease included in such transaction (in the case of any lease which is terminable by the lessee upon the payment of

a penalty, such rental obligation shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated).

"Available Cash" shall mean, with respect to any fiscal quarter of the Company: (i) the sum of (a) all cash and cash equivalents of the Company and its Subsidiaries on hand at the end of such quarter and (b) all additional cash and cash equivalents of the Company and its Subsidiaries on hand on the date of determination of Available Cash with respect to such quarter resulting from borrowings for working capital purposes made subsequent to the end of such quarter, less (ii) the amount of any cash reserves that is necessary or appropriate in the reasonable discretion of the General Partner to (a) provide for the proper conduct of the business of the Company and its Subsidiaries (including reserves for future capital expenditures) subsequent to such quarter, (b) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Company or any Subsidiary is a party or by which it is bound or its assets are subject (including the Financing Documents) and (c) provide funds for distributions to partners of the Master Partnership and the General Partner in respect of any one or more of the next four quarters; provided that the General Partner may not establish cash reserves pursuant to clause (iii) if the effect of such reserves would be that the Master Partnership is unable to distribute the Minimum Quarterly Distribution (as defined in the Agreement of Limited Partnership of the Master Partnership) on all Common Units with respect to such quarter; and provided, further, that disbursements made by the Company or a Subsidiary of the Company or cash reserves established, increased or reduced after the end of such quarter but on or before the date of determination of Available Cash with respect to such quarter shall be deemed to have been made, established, increased or reduced for purposes of determining Available Cash, within such quarter if the General Partner so determines. In addition, without limiting the foregoing, Available Cash for any fiscal quarter shall reflect reserves equal to (A) 50% of the interest projected to be paid on the Notes in the next succeeding fiscal quarter plus (B) beginning with a date three fiscal quarters before a scheduled principal payment date on the Notes, 25% of the aggregate principal amount thereof due on any such payment date in the third succeeding fiscal quarter, 50% of the aggregate principal amount due on any such payment date in the second succeeding fiscal quarter and 75% of the aggregate principal amount due on any quarterly payment date in the next succeeding fiscal quarter, plus (C) the Unused Proceeds Reserve as of the date of determination. The foregoing reserves for amounts to be paid on the Notes shall be reduced by the aggregate amount of advances available to the Company from responsible financial institutions under binding irrevocable (x) credit or financing commitments (which are subject to no conditions which the

Company is unable to meet) and (y) letters of credit (which are subject to no conditions which the Company is unable to meet) to be used to refinance such amounts, in each case to the extent such amounts could be borrowed and remain outstanding under Sections 6B and 6A(ii).

"Bankruptcy Law" shall have the meaning specified in clause (viii) of Section 7A.

"Bi-State" shall mean Heritage - Bi State Corp. a Delaware corporation.

"Business" shall have the meaning specified in the opening paragraph hereof.

"Capital Stock" shall mean, with respect to any Person, any and all shares, units representing interests, participations, rights in or other equivalents (however designated) of such Person's capital stock, including, with respect to partnerships, partnership interests (whether general or limited) and any other interest or participation that confers upon a Person the right to receive a share of the profits and losses of, or distributions of assets of, such partnership, and any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock.

"Capitalized Lease Obligation" shall mean any rental obligation which under GAAP would be required to be capitalized on the books of the Company or any of its Subsidiaries, taken at the amount thereof accounted for as indebtedness (net of interest expense) in accordance with such principles.

"Cash Equivalents" shall have the meaning set forth in Section 6E(iii).

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., as the same may be amended from time to time.

"Certificates and Stock Powers" shall have the meaning specified in Section 3H.

"Change of Control" shall mean the acquisition by any Person or group of related persons (as such terms are defined in the Exchange Act) (other than the Current Management or group of related persons (as so defined) including the Current Management) of beneficial ownership of more than 50% of the Units.

"Closing" shall have the meaning specified in Section 2.

"Closing Date" shall have the meaning specified in Section 2.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Collateral" shall have the meaning specified in the Security Agreement.

"Collateral Agent" shall have the meaning specified in Section 3H.

"Commission" shall mean the United States Securities and Exchange Commission.

"Common Units" shall have the meaning specified in the second opening paragraph hereof.

"Company" shall have the meaning specified in the third opening paragraph hereof.

"Consolidated Debt Service" shall mean, as of any date of determination, the total amount payable by the Company and its Subsidiaries on a consolidated basis during the four consecutive calendar quarters next succeeding the date of determination, in respect of scheduled principal and interest payments with respect to Indebtedness of the Company and its Subsidiaries outstanding on such date of determination, after giving effect to any Indebtedness proposed on such date to be incurred and to the substantially concurrent repayment of any other Indebtedness (a) including actual payments under Capitalized Lease Obligations, (b) assuming, in the case of Indebtedness (other than Indebtedness referred to in clause (c) below) bearing interest at fluctuating interest rates which cannot be determined in advance, that the rate actually in effect on such date will remain in effect throughout such period, (c) including only actual interest (but not principal) payments associated with the Indebtedness incurred pursuant to Section 6B(ii) during the most recent four consecutive calendar quarters and (d) treating the principal amount of all Indebtedness outstanding as of such date of determination under a revolving credit or similar agreement (other than the Indebtedness incurred pursuant to Section 6B(ii)) as maturing and becoming due and payable on the scheduled maturity date or dates thereof (including the maturity of any payment required by any commitment reduction or similar amortization provision), without regard to any provision permitting such maturity date to be extended (except for such extensions as may be made in the sole discretion of the borrower thereunder and without any conditions that remain to be fulfilled by the borrower or waived by the lender thereunder). See Section 10C.

"Consolidated EBITDA" shall mean, with respect to the Company and its Subsidiaries for any period, (1) the sum of, without duplication, the amounts for such period, taken as a single accounting period, of (a) Consolidated Net Income and (b) to the extent deducted in the determination of Consolidated Net Income, after excluding amounts attributable to minority interests in Subsidiaries and without duplication, (i) Consolidated Non-Cash Charges, (ii) Consolidated Interest Expense and (iii) Consolidated Income Tax Expense less (2) any non-cash items increasing Consolidated Net Income for such period to the extent that such items constitute reversals of a Consolidated Non-Cash Charge for a previous period and which were included in the computation of Consolidated EBITDA for such previous period pursuant to the provisions of the preceding clause (1). Consolidated EBITDA shall be calculated after giving effect, on a pro forma basis and in accordance with GAAP, to, without duplication, any Asset Sales or Asset Acquisitions (including without limitation any Asset Acquisition giving rise to the need to make such calculation as a result of the Company or one of its Subsidiaries incurring, assuming or otherwise being liable for Acquired Debt) occurring during the period commencing on the first day of such period to and including the date of the transaction (the "Reference Period"), as if such Asset Sale or Asset Acquisition occurred on the first day of the Reference Period; provided, however, that Consolidated EBITDA generated by an acquired business or asset shall be determined by the actual gross profit (revenues minus cost of goods sold) of such acquired business or asset during the immediately preceding four full fiscal quarters in the Reference Period minus the pro forma expenses that would have been incurred by the Company and its Subsidiaries in the operation of such acquired business or asset during such period computed on the basis of personnel expenses for employees retained or to be retained by the Company and its Subsidiaries in the operation of such acquired business or asset and non-personnel costs and expenses incurred by the Company and its Subsidiaries in the operation of the Company's business at similarly situated facilities of the Company or any of its Subsidiaries (as determined in good faith by the General Partner based upon reasonable assumptions). As used herein, Consolidated EBITDA shall be based upon the greater of (a) that amount determined over the preceding 12 months (i.e., the four most recent fiscal quarters), and (b) one half (50%) of that amount determined over the preceding 24 months (i.e., the eight most recent fiscal quarters), ending on or prior to the date of determination. See Section 10C.

"Consolidated Funded Indebtedness" shall mean, as of any date of determination, the aggregate amount of Indebtedness of the Company and its Subsidiaries outstanding on that date and maturing in more than 12 months, including the Notes and borrowings under the Acquisition Facility (including current maturities of any such Indebtedness). Notwithstanding anything to the contrary contained herein, Consolidated Funded

Indebtedness shall not include borrowings under the Revolving Working Capital Facility to the extent permitted hereby.

"Consolidated Income Tax Expense" shall mean, with respect to the Company and its Subsidiaries, for any period, the provision for federal, state, local and foreign income taxes of the Company and its Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP. See Section 10C.

"Consolidated Interest Expense" shall mean with respect to the Company and its Subsidiaries for any period, without duplication, the sum of (i) the interest expense of the Company and its Subsidiaries for such period as determined on a consolidated basis in accordance with GAAP, including without limitation (a) any amortization of debt discount, (b) the net cost under Interest Rate Agreements, (c) the interest portion of any deferred payment obligation, (d) all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and (e) all accrued interest and (ii) the interest component of Capitalized Lease Obligations paid, accrued or scheduled to be paid or accrued by the Company and its Subsidiaries during such period as determined on a consolidated basis in accordance with GAAP. In computing Consolidated Interest Expense for any period prior to the end of the first four fiscal quarters of the Company ending after the Closing Date, Consolidated Interest Expense of the Company and its Subsidiaries shall be determined on the basis of interest accruing at a rate equal to the average interest rate payable on the date of determination with respect to Indebtedness outstanding from time to time under the Notes, the Acquisition Facility and the Revolving Working Capital Facility, rather than the rates of interest applicable to the interest expense of the Indebtedness refinanced thereby. See Section 10C.

"Consolidated Net Income" shall mean the net income of the Company and its Subsidiaries, as determined on a consolidated basis in accordance with GAAP and after provision for minority interests and as adjusted to exclude (i) net after-tax extraordinary gains or losses, (ii) net after-tax gains or losses attributable to Asset Sales, (iii) the net income or loss of any Person which is not a Subsidiary of the Company and which is accounted for by the equity method of accounting, provided that Consolidated Net Income shall include the amount of cash dividends or distributions actually paid to the Company or any Subsidiary of the Company, (iv) the net income or loss prior to the date of acquisition of any Person combined with the Company or any Subsidiary of the Company in a pooling of interest, (v) the net income of any Subsidiary of the Company to the extent that dividends or distributions of such net income are not at the date of determination permitted by the terms of its charter or any agreement, instrument, judgment, decree,

order, statute, rule or other regulation and (vi) the cumulative effect of any changes in accounting principles. See Section 10C.

"Consolidated Net Tangible Assets" shall mean, as of any date of determination, the Total Assets of the Company and its Subsidiaries, minus the net book value of all assets of the Company and its Subsidiaries (after deducting any reserves applicable thereto) which would be shown as intangible assets on a consolidated balance sheet of the Company and its Subsidiaries as of such time prepared in accordance with GAAP. See Section 10C.

"Consolidated Net Worth" shall mean, with respect to any Person, at any date of determination, the total partners' capital (in the case of a partnership) or stockholders' equity (in the case of a corporation) of such Person at such date, as would be shown on a Consolidated balance sheet of such Person and its Subsidiaries, if any, prepared in accordance with GAAP. See Section 10C.

"Consolidated Non-Cash Charges" shall mean with respect to the Company and its Subsidiaries, for any period, the aggregate depreciation and amortization, in each case reducing Consolidated Net Income of the Company and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP. See Section 10C.

"Consolidated Pro Forma Maximum Debt Service" shall mean, as of any date of determination, the maximum amount payable by the Company and its Subsidiaries on a consolidated basis during all periods of four consecutive calendar quarters, commencing with the calendar quarter in which such date of determination occurs and ending June 30, 2011, in respect of scheduled principal and interest payments with respect to all Indebtedness of the Company and its Subsidiaries outstanding on such date of determination, after giving effect to any Indebtedness proposed on such date to be incurred and to the substantially concurrent repayment of any other Indebtedness (a) including all payments under Capitalized Lease Obligations, (b) assuming, in the case of Indebtedness (other than Indebtedness referred to in clause (c) below) bearing interest at fluctuating interest rates which cannot be determined in advance, that the rate actually in effect on such date will remain in effect throughout such period, (c) including only actual interest (but not principal) payments associated with the Indebtedness incurred pursuant to Section 6B(ii) during the most recent four consecutive calendar quarters and (d) treating the principal amount of all Indebtedness outstanding as of such date of determination under a revolving credit or similar agreement (other than the Indebtedness incurred pursuant to Section 6B(ii)) as maturing and becoming due and payable on the scheduled maturity date or dates thereof (including the maturity of any payment required by any commitment

reduction or similar amortization provision), without regard to any provision permitting such maturity date to be extended (except for such extensions as may be made in the sole discretion of the borrower thereunder and without any conditions that remain to be fulfilled by the borrower or waived by the lender thereunder). See Section 10C.

"Consolidated Tangible Net Worth" shall mean, with respect to any Person, at any date of determination, the then Consolidated Net Worth of Person minus the net book value of all assets of such Person and its Subsidiaries, if any, (after deducting any reserves applicable thereto), which would be shown as intangible assets on a consolidated balance sheet of such Person and its Subsidiaries, if any, as of such time prepared in accordance with GAAP. See Section 10C.

"Contribution Agreement" shall mean the Contribution, Conveyance and Assumption Agreement, dated as of [_____, 1996], among Heritage, the Operating Partnership and the other signatories thereto, as the same may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof and hereof.

"Control Event" shall mean:

(i) the execution of any written agreement to which the Company or any Affiliate of the Company is a party which could reasonably be expected to result in a Change of Control.

(ii) the commencement (as such term is used in Rule 14d-2(a) under the Exchange Act as in effect on the date of the Closing) of a tender offer by any person (as such term is used in Section 13(d) and Section 14(d)(2) of the Exchange Act as in effect on the date of the Closing) or related person constituting a group (as such term issued in Rule 13d-5 under the Exchange Act as in effect on the date of the Closing) for units which would result in such person or group owning, directly or indirectly, more than 50% of the outstanding Units.

"Conveyance Agreements" shall mean (a) the Contribution Agreement and (b) each of the individual bills of sale and other conveyance documents delivered to the Company pursuant to the Contribution Agreement in each case as the same may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof and hereof.

"Correlative Amendments" shall have the meaning specified in Section 6M.

"Credit Agreement" shall mean the Credit Agreement dated as of the date hereof among the Operating Partnership, Bank of Oklahoma, as agent, and the financial institutions which are or become parties from time to time thereto, evidencing the Acquisition Facility and the Revolving Working Capital Facility, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof.

"Current Management" shall mean the individual executive officers of the General Partner named as such in the Registration Statement, together with the heirs of, and trusts for the benefit of family members controlled by, any such executive officer.

"Environmental Laws" shall mean all applicable federal, state, local and foreign laws, rules or regulations as amended from time to time, relating to emissions, discharges, releases, threatened releases, removal, remediation or abatement of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes into or in the environment (including without limitation air, surface water, ground water or land), or otherwise used in connection with the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, toxic or hazardous substances or wastes, as defined under such applicable laws.

"Equity Interest" shall mean, with respect to any Person, any capital stock issued by such Person, regardless of class or designation, or any limited or general partnership interest in such Person, regardless of designation, and all warrants, options, purchase rights, conversion or exchange rights, voting rights, calls or claims of any character with respect thereto.

"Equity Repurchase" shall have the meaning specified in Section 8M.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that, together with the Company, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" shall mean (i) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan; (ii) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (iii) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (iv) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (v) the incurrence of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Company or any of its ERISA Affiliates from any Plan or Multiemployer Plan; (vi) the receipt by the Company or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (vii) the receipt by the Company or any ERISA Affiliate of any notice concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; and (viii) the occurrence of a "prohibited transaction" with respect to which the Company or any of its Subsidiaries is a "disqualified person" (within the meaning of Section 4975 of the Code) and with respect to which the Company or such Subsidiary would be liable for the payment of an excise tax.

"Event of Default" shall mean any of the events specified in Section 7A, provided that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act, and "Default" shall mean any of such events, whether or not any such requirement has been satisfied.

"Excess Proceeds" shall have the meaning set forth in Section 4C(iv).

"Excess Sale Proceeds" shall have the meaning set forth in Section 6G(iii)(c)(II).

"Excess Taking Proceeds" shall have the meaning set forth in Section 4C(ii).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Financing Documents" shall mean this Agreement and the Security Documents.

"Financing Statements" shall have the meaning specified in Section 3H.

"GAAP" shall have the meaning specified in Section 10C.

"General Partner" shall have the meaning specified in the third opening paragraph hereof.

"Governmental Authority" shall mean any governmental agency, authority, instrumentality or regulatory body, other than a court or other tribunal, in each case whether federal, state, local or foreign.

"Guaranty" shall mean, with respect to any Person, any direct or indirect liability, contingent or otherwise, of such Person with respect to any Indebtedness of another, including, without limitation, any such obligation directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business) or discounted or sold with recourse by such Person, or in respect of each such Person is otherwise directly or indirectly liable, including, without limitation, any such obligation in effect guaranteed by such Person through any agreement (contingent or otherwise) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain the solvency or any balance sheet or other financial condition of the obligor of such obligation, or to make payment for any products, materials or supplies or for any transportation or services regardless of the non-delivery or non- furnishing thereof, in any such case if the purpose or intent of such agreement is to provide assurance that such obligation will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected against loss in respect thereof. The amount of any Guaranty shall be equal to the outstanding principal amount of the obligation guaranteed or such lesser amount to which the maximum exposure of the guarantor shall have been specifically limited.

"Hazardous Substance" shall mean any substance so designated pursuant to CERCLA, asbestos, petroleum, urea formaldehyde insulation and petroleum by-products (other than propane).

"Heritage" shall have the meaning specified in the first opening paragraph hereof.

"Indebtedness" shall mean, with respect to any Person, without duplication,

(a) any indebtedness for borrowed money, all obligations upon which interest charges are customarily paid and all obligations evidenced by any bond, note, debenture or other similar instrument which such Person has directly or indirectly created, incurred or assumed; or

(b) all obligations of others secured by any Lien in respect of property owned by such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness; provided that the amount of such Indebtedness, if such Person has not assumed the same or become liable therefor, shall in no event be deemed to be greater than the fair market value from time to time of the property subject to such Lien;

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

(d) the principal component of any Capitalized Lease Obligations to the extent such obligations would, in accordance with GAAP, appear on a balance sheet of such Person;

(e) all Attributable Debt of such Person in respect of Sale and Lease-Back Transactions not involving a Capitalized Lease Obligation;

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

(g) any Preferred Stock of any Subsidiary of such Person valued at the liquidation preference thereof, or any mandatory redemption payment obligations in respect thereof plus, in either case, accrued dividends thereon;

(h) any indebtedness of the character referred to in clause (a), (b), (c), (d), (e), (f) or (g) of this definition deemed to be extinguished under GAAP but for which such Person remains legally liable;

(i) any indebtedness of any other Person of the character referred to in clause (a), (b), (c), (d), (e), (f), (g) or (h) of this definition with respect to which the Person whose Indebtedness is being determined has become liable by way of a Guaranty;

(j) all obligations, contingent or fixed, of such person as an account party in respect of letters of credit (other than letters of credit incurred in the ordinary course of business and consistent with past practice);

(k) all liabilities of such Person in respect of unfunded vested benefits under pension plans (determined on a net basis for all such plans) and all asserted withdrawal liabilities of such Person or a commonly controlled entity to a Multiemployer Plan;

(l) Swaps (other than Interest Rate Agreements);

(m) all obligations of such Person in respect of bankers' acceptances (other than in respect of accounts payable to suppliers incurred in the ordinary course of business consistent with past practice); and

(n) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) through (m) above.

For purposes hereof, the "maximum fixed repurchase price" of any Redeemable Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Agreement and if such price is based upon, or measured by, the fair market value of such Redeemable Capital Stock, such fair market value shall be determined in good faith by the board of directors or a similar governing body of the issuer of such Redeemable Capital Stock.

"Intercreditor Agreement" shall have the meaning specified in Section 3H.

"Interest Rate Agreement" shall mean any fully matched interest rate Swap entered into with the intent to protect the Company against fluctuations in interest rates and entered into as a bona fide hedging arrangement and not for purposes of investment or speculation.

"Investment" shall mean, 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). For the purposes of Section 6E(v), the amount involved in Investments made during any period shall be the aggregate cost to the Company and its Subsidiaries of all such Investments made during such period, determined in accordance with GAAP, but without regard to unrealized increases or decreases in value, or write-ups, write-downs or write-offs, of such Investments and without regard to the existence of any undistributed earnings or accrued interest with respect thereto accrued after the respective dates on which such Investments were made, less any net return of capital realized during such period upon the sale, repayment or other liquidation of such Investments (determined in accordance with GAAP, but without regard to any amounts received during such period as earnings (in the form of dividends not constituting a return of capital, interest or otherwise) on such Investments or as loans from any Person in whom such Investments have been made). See Section 10C.

"Investment Limit" shall have the meaning specified in Section 6E.

"Legal Requirement" shall mean any law, statute, ordinance, decree, requirement, order, judgment, rule or regulation (or published official interpretation of any of the foregoing by any Governmental Authority) of any Governmental Authority.

"Liabilities" shall have the meaning specified in the second opening paragraph hereof.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, contractual deposit arrangement, lien (statutory or otherwise) or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction) or any other type of preferential arrangement for the purpose, or having the effect, of protecting a creditor against loss or securing the payment or performance of an obligation.

"Master Partnership" shall have the meaning specified in the second opening paragraph hereof.

"Material Adverse Effect" shall mean (a) a material adverse effect on the business, assets or financial condition of the Company or the Company and its Subsidiaries taken as

a whole after giving effect to the Transactions, (b) a material impairment of the ability of the Company or any Subsidiary of the Company to perform any of its obligations under the Financing Documents to which it is a party or (c) a material adverse effect on the enforceability of any of the Financing Documents.

"Memorandum" shall mean the memorandum dated May, 1996, prepared by Prudential Securities for use in connection with the Company's private placement of the Notes.

"Multiemployer Plan" shall mean a "multiemployer plan" as defined in section 4001(a)(3) of ERISA.

"Net Proceeds" shall mean the proceeds of any sale of assets in the form of cash or cash equivalents including payments in respect of deferred payment obligations when received in the form of cash or cash equivalents net of (i) brokerage commissions and other fees and expenses related to such sale, (ii) provisions for any taxes payable as a result of such sale, (iii) amounts required to be paid to any Person (other than the Company or any Subsidiary of the Company) owning a beneficial interest in the assets sold, (iv) appropriate amounts to be provided by the Company or any Subsidiary of the Company, as the case may be, as a reserve required in accordance with GAAP against any liabilities associated with such sale of assets and retained by the Company or any Subsidiary of the Company, as the case may be, after such sale and (v) amounts required to be applied to the repayment of Indebtedness (other than the Notes and amounts due under the Revolving Working Capital Facility or Acquisition Facility) secured by a Lien on the assets sold.

"Non-Accepting Holders" shall have the meaning specified in Section 4D(i).

"Notes" shall have the meaning specified in Section 1.

"Offering" shall have the meaning specified in the second opening paragraph hereof.

"Officer's Certificate" shall mean, as to any corporation, a certificate executed on its behalf by the Chairman of the Board of Directors (if an officer) or its President or one of its Vice Presidents, and its Treasurer, or Controller, or one of its Assistant Treasurers or Assistant Controllers, and, as to the Master Partnership or the Operating Partnership, a certificate executed on behalf of the Master Partnership or the Operating Partnership, as the case may be, by its general partner in a manner which would qualify such certificate (a)

if such general partner were a corporation, as an Officer's Certificate of such general partner hereunder or (b) if such general partner were a partnership or other entity, as a certificate executed on its behalf by Persons authorized to do so pursuant to the constituting documents of such partnership or other entity.

"Operating Partnership" shall have the meaning specified in the second opening paragraph hereof.

"Operative Agreements" shall mean the Contribution Agreement, the Conveyance Agreements, and the Partnership Agreement.

"Parity Debt" shall mean Indebtedness of the Company (a) (other than the Notes) incurred in accordance with clauses (i), (ii) and (iii) of Section 6B and (b) Additional Parity Debt.

"Partnership Agreement" shall mean the Agreement of Limited Partnership of the Operating Partnership as in effect on the Closing Date, and as the same may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof.

"Partnership Documents" shall mean the Agreement of Limited Partnership of the Master Partnership and the Partnership Agreement, in each case as in effect on the Closing Date and as the same may from time to time be amended, supplemented or otherwise modified in accordance with the terms hereof and thereof.

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any Governmental Authority succeeding to any of its functions.

"Permits" shall have the meaning specified in Section 8H.

"Permitted Banks" shall have the meaning specified in Section 6E.

"Person" shall mean and include an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

"Plan" shall mean any "employee pension benefit plan" as such term is defined in Section 3 of ERISA (other than a Multiemployer Plan) subject to the provisions of Title IV

of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Company or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Preferred Stock" shall mean, as applied to the Capital Stock of any Person, Capital Stock of any class or classes (however designated), which is preferred as to the payment of distributions or dividends, or upon any voluntary or involuntary liquidation or dissolution of such Person, over shares or units of Capital Stock of any other class of such Person.

"Premium" shall mean the Yield-Maintenance Amount and any premium payable in connection with a Change of Control.

"Priority Debt" shall mean as of any date of determination, the sum, without duplication, of (i) Indebtedness of the Subsidiaries of the Company (other than Indebtedness owed to the Company or another Wholly-Owned Subsidiary), plus (ii) Indebtedness of the Company and its Subsidiaries secured by Liens permitted by clauses (i) and (vii) of Section 6C and any renewals of such Liens permitted by clause (xiv) of Section 6C.

"Property" shall mean any interest in any kind of property or asset whether real, personal, or mixed, or tangible or intangible.

"Pro Rata Option" shall have the meaning specified in Section 4D(iii).

"PTCE" shall have the meaning specified in Section 9B.

"PUHCA" shall have the meaning specified in Section 8U.

"Purchasers" shall have the meaning specified in the second opening paragraph hereof.

"QPAM Exemption" shall have the meaning specified in Section 9B.

"Redeemable Capital Stock" shall mean, as of any date of determination, any shares of any class or series of Capital Stock, that, either by the terms thereof, by the terms of any security into which such shares are convertible or exchangeable or by contract or otherwise, are or upon the happening of an event or passage of time would be, required to

be redeemed prior to the stated maturity with respect to the principal of any Note or are redeemable at the option of the holder thereof at any time prior to the stated maturity of any Note, or are convertible into or exchangeable for Indebtedness at any time prior to the stated maturity of any Note.

"Registration Statement" shall mean the Registration Statement on Form S-1 of Heritage Propane Partners, L.P. (Registration No. 333- 4018) filed with the Securities and Exchange Commission on May __, 1996, as amended by Amendment No. 1, filed with the Securities and Exchange Commission on June 4, 1996, and Amendment No. 2, filed with the Securities and Exchange Commission on June __, 1996, in the form when declared effective by the Commission and as amended on or prior to the date of this Agreement.

"Required Holder(s)" shall mean the holder or holders of at least 51% of the aggregate principal amount of the Notes from time to time outstanding.

"Responsible Officer" shall mean the chief executive officer, chief operating officer, chief financial officer or chief accounting officer of the Company or any other officer of the Company involved principally in its financial administration or its controllership function.

"Restricted Payment" shall mean any payment or other distribution, direct or indirect, in respect of any partnership or other equity interest in the Company, except a distribution payable solely in additional partnership or other equity interests in the Company, and any payment, direct or indirect on account of the redemption, retirement, purchase or other acquisition of any partnership or other equity interest in the Company, provided, however, that the purchase by the General Partner, the Master Partnership or the Company in market transaction of Common Units pursuant to the Company's Unit Purchase Plan in connection with a beneficiary's purchase of Common Units thereunder shall be deemed to be a Restricted Payment only to the extent the market purchase price paid for such Common Units by the General Partner, the Master Partnership or the Company, as the case may be, exceeds the amount in cash theretofore received by the General Partner, the Master Partnership or the Company, as the case may be, in payment therefor from such beneficiary.

"Revolving Working Capital Facility" shall mean the proposed $15,000,000 revolving credit facility of the Company provided for in the Credit Agreement for working capital and other general partnership purposes not to exceed $15,000,000 aggregate principal amount at any time outstanding.

"Sale and Lease-Back Transaction" shall mean, with respect to any Person (a "Transferor"), any arrangement (other than between the Company and a Wholly-Owned Restricted Subsidiary or between Wholly-Owned Restricted Subsidiaries) whereby (a) property (the "Subject Property") has been or is to be disposed of by such Transferor to any other Person with the intention on the part of such Transferor of taking back a lease of such Subject Property pursuant to which the rental payments are calculated to amortize the purchase price of such Subject Property substantially over the useful life of such Subject Property, and (b) such Subject Property is in fact so leased by such Transferor or an Affiliate of such Transferor.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Security Agreement" shall have the meaning specified in Section 3H.

"Security Documents" shall mean the Security Agreement, the Certificates and Stock Powers and the Financing Statements.

"Senior Debt" shall mean Indebtedness of the Company which is not expressed to be junior or subordinate to any other Indebtedness of the Company.

"Significant Subsidiary Group" shall mean any Subsidiary of the Company, or any group of Subsidiaries of the Company, which at any time of determination account for (or in the case of a recently formed or acquired Subsidiary would have so accounted for on a pro forma basis) more than 5% of consolidated operating revenues of the Company and its Subsidiaries for the fiscal year most recently ended or more than 5% of consolidated total assets of the Company and its Subsidiaries as of the end of the most recently ended fiscal quarter, in each case computed in accordance with GAAP.

"Source" shall have the meaning specified in Section 9B.

"Subordinated Units" shall have the meaning specified in the second opening paragraph hereof.

"Subsidiary" shall mean, with respect to any Person, any corporation, limited liability company, partnership, joint venture, association, trust or other entity of which (or in which) more than 50% of (a) the issued and outstanding Capital Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time Capital Stock of any other class or classes of such corporation shall

or might have voting power upon the occurrence of any contingency), (b) the interests in the capital or profits of such partnership, limited liability company, joint venture or association with ordinary voting power to elect a majority of the board of directors (or Persons performing similar functions) of such partnership, limited liability company, joint venture or association, or (c) the beneficial interests in such trust or other entity with ordinary voting power to elect a majority of the board of trustees (or Persons performing similar functions) of such trust or other entity, is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries, or by one or more of such Person's other Subsidiaries. For the purposes of any computation under Section 6A or clause (xiii) of Section 6B, the defined terms Consolidated Debt Service, Consolidated EBITDA, Consolidated Funded Indebtedness, Consolidated Interest Expense and Consolidated Pro Forma Maximum Debt Service shall be calculated on the basis that Bi-State is a Subsidiary of the Company, but only as long as the Company shall own 50% or more of the interests in the capital or profits of Bi-State with ordinary voting power to elect a majority of the board of directors (or Persons performing similar functions) thereof.

"Swaps" shall mean, with respect to any Person, payment obligations (fixed or contingent) with respect to interest rate swap agreements, interest rate cap agreements, interest rate collar agreements, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

"Total Assets" shall mean, as of any date of determination, the consolidated total assets of the Company and its Subsidiaries as would be shown on a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with GAAP as of that date. See Section 10C.

"Transactions" shall have the meaning specified in the third opening paragraph hereof.

"Transferee" shall mean any direct or indirect transferee of all or any part of any Note purchased by any Purchaser under this Agreement.

"Underwriting Agreement" shall mean the Underwriting Agreement, dated the date hereof, among the Partnership, the underwriters named in Schedule I thereto and the other signatories thereto, relating to the Common Units registered under the Registration Statement.

"Units" shall mean, collectively, the Common Units and the Subordinated Units.

"Unused Proceeds Reserve" shall mean, as of any date of determination, all amounts theretofore offered to prepay Parity Debt under Section 6G(iii)(c)(II) and to prepay Notes under Section 4C, the prepayment of which was declined by the applicable lenders, less the portion of such amounts theretofore applied by the Company to operations or capital expenditures in connection with the conduct of the Company's business.

"Unutilized Taking Proceeds" shall mean, as of any date, any insurance or condemnation proceeds (net of the reasonable costs of proceedings in connection therewith and settlements in respect thereof) in excess of $100,000 with respect to any single occurrence that were received by the Company or any of its Subsidiaries in respect of any damage, destruction, condemnation or other taking of all or any portion of the properties or assets of the Company or any of its Subsidiaries and that have not been reinvested by the Company or any of its Subsidiaries within a period of twelve months after such receipt in the restoration, modification or replacement of the properties or assets in respect of which such insurance or condemnation proceeds were received.

"Voting Stock" shall mean, with respect to any corporation, any shares of stock of such corporation the holders of which are entitled under ordinary circumstances to vote for the election of directors of such corporation (irrespective of whether at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"Wholly-Owned" shall mean, as applied to any Subsidiary of any Person, a Subsidiary at least 98% (by vote or value) of the outstanding Equity Interests (other than directors' qualifying shares, if required by law) of all classes, taken together as a whole, of which are at the time owned by such Person or by one or more of its Wholly-Owned Subsidiaries or by such Person and one or more of its Wholly-Owned Subsidiaries.

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

10C. Accounting Principles, Terms and Determinations.

(i) All references in this Agreement to "generally accepted accounting principles" or to "GAAP" shall be deemed to refer to generally accepted accounting principles in effect in the United States at the time of application thereof, but subject to the provisions of this Section 10C. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and all unaudited financial statements and certificates and reports as to financial matters required to be prepared hereunder shall be prepared in accordance with generally accepted accounting principles, applied on a basis consistent with the most recent audited consolidated financial statements of the Company and its Subsidiaries delivered pursuant to clause (ii) of Section 5A or, if no such statements have been so delivered, the most recent audited financial statements referred to in clause (iii) of Section 8D.

(ii) All references herein to "the Company and its Subsidiaries" for the purposes of computing the consolidated financial position, results of operations or other balance sheet or financial statement items (including without limitation the computation of , Available Cash, Consolidated Debt Service, Consolidated EBITDA, Consolidated Income Tax Expense, Consolidated Indebtedness, Consolidated Interest Expense, Consolidated Net Income, Consolidated Non-Cash Charges, Consolidated Pro Forma Maximum Debt Service and Consolidated Total Assets) shall be deemed to include only the Company and its Subsidiaries as separate legal entities and, unless otherwise provided herein, shall not include the financial position, results of operations, cash flows or other such items of any other Person , whether or not in any particular instance, such accounting treatment would be in accordance with GAAP.

11. MISCELLANEOUS.

11A. Note Payments. The Company agrees that, so long as any Purchaser shall hold any Note, it will make payments of principal of, interest on and any Premium payable with respect to such Note, which comply with the terms of this Agreement, by wire transfer of immediately available funds for credit (not later than 12:00 noon, New York City time, on the date due) to such Purchaser's account or accounts as specified in the Purchaser Schedule attached hereto, or such other account or accounts in the United States as such Purchaser may designate in writing, notwithstanding any contrary provision herein or in any Note with respect to the place of payment, and without any requirement of presenting such Note for payment. Each Purchaser agrees that, before disposing of any Note, such Purchaser will make a notation thereon (or on a schedule attached thereto) of all principal payments previously made thereon and of the date to which interest thereon has been paid. The Company agrees to afford the benefits of this Section 11A to any Transferee which shall have made the same agreement as each Purchaser has made in this Section 11A.

11B. Expenses. The Company covenants and agrees, whether or not the transactions contemplated hereby shall be consummated, to pay, and save each Purchaser and any Transferee harmless against liability for the payment of, all out-of-pocket expenses arising in connection with such transactions, including without limitation or duplication all fees and expenses referred to in Section 3K and (i) all document production and duplication charges and the fees and expenses (including those incurred after the Closing) of not more than one special counsel engaged by all of the Purchasers in connection with this Agreement, and the transactions contemplated hereby and of any special counsel employed by such Purchaser or such Transferee in connection with any subsequent proposed modification of, or proposed consent under, this Agreement, whether or not such proposed modification shall be effected or proposed consent granted, (ii) the costs and expenses of the Collateral Agent, and (iii) the costs and expenses, including attorneys' fees, incurred by such Purchaser or such Transferee in obtaining or perfecting any security for the Notes, in enforcing (or determining whether or how to enforce) any rights under this Agreement, the Notes or the Security Documents or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or any Security Document or the transactions contemplated hereby or by reason of such Purchaser's or such Transferee's having acquired any Note, including without limitation costs and expenses incurred in any bankruptcy case or a workout. The obligations of the

Company under this Section 11B shall survive the transfer of any Note or portion thereof or interest therein by any Purchaser or any Transferee and the payment of any Note.

11C. Consent to Amendments.

(i) This Agreement may be amended, and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if the Company shall obtain the written consent to such amendment, action or omission to act of the Required Holder(s) except that, without the written consent of the holder or holders of all Notes at the time outstanding, no amendment to this Agreement shall change the maturity of any Note, or change the principal of, or the rate or time of payment of interest on or any Premium payable with respect to any Note, or affect the time, amount or allocation of any prepayments, or change the proportion of the principal amount of the Notes required with respect to any consent, amendment, waiver or declaration, or change the relative priority of the Notes in relation to any other Indebtedness of the Company. Each holder of any Note at the time or thereafter outstanding shall be bound by any consent authorized by this Section 11C, whether or not such Note shall have been marked to indicate such consent but any Notes issued thereafter may bear a notation referring to any such consent. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein and in the Notes, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

(ii) So long as there are any Notes outstanding, neither the Company nor any of its Affiliates will submit a request to the holder of any Note for any proposed waiver or amendment of any of the provisions of this Agreement or the Notes unless each holder of Notes (irrespective of the amount of Notes then owned by it) shall be informed thereof by the Company and shall be afforded the opportunity of considering the same and shall be supplied by the Company with sufficient information to enable it to make an informed decision with respect thereto. Neither the Company nor any of its Subsidiaries or Affiliates will, directly or indirectly, pay or cause to be paid any remuneration, whether by way of supplemental or additional interest fee or otherwise, to any holder of Notes as consideration for or as inducement to entering into any waiver or amendment of any of the terms and provisions of this Agreement or the Notes by any holder of Notes unless such remuneration is concurrently offered, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

(iii) Any consent given pursuant to this Section 11C by a holder of a Note which has (i) transferred or agreed to transfer all or a portion of its Notes to the Company or any of its Affiliates and (ii) provided such consent as a condition to such transfer shall be valid and binding only upon such holder. Any amendment or waiver which becomes effective only with such consent (and the consents of all other holders of the Notes which were acquired under the same or similar conditions) shall be valid and binding only upon such holder or holders, as the case may be.

11D. Form, Registration, Transfer and Exchange of Notes; Lost Notes. The Notes are issuable as registered notes without coupons in denominations of at least $100,000 except as may be necessary to reflect any principal amount less than or not evenly divisible by $100,000. The Company shall keep at its principal office a register in which the Company shall provide for the registration of Notes and of transfers of Notes. Upon surrender for registration of transfer of any Note at the principal office of the Company, the Company shall, at its expense within 5 Business Days, execute and deliver one or more new Notes of like tenor and of a like aggregate principal amount registered in the name of such transferee or transferees. At the option of the holder of any Note, such Note may be exchanged for other Notes of like tenor and of any authorized denominations, of a like aggregate principal amount, upon surrender of the Note to be exchanged at the principal office of the Company. Whenever any Notes are so surrendered for exchange, the Company shall, at its expense within 5 Business Days, execute and deliver the Notes which the holder making the exchange is entitled to receive. Every Note surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer duly executed, by the holder of such Note or such holder's attorney duly authorized in writing. Any Note or Notes issued in exchange for any Note or upon transfer thereof shall carry the rights to unpaid interest and interest to accrue which were carried by the Note so exchanged or transferred, so that neither gain nor loss of interest shall result from any such transfer or exchange. Upon receipt of written notice from the holder of any Note of the loss, theft, destruction or mutilation of such Note and, in the case of any such loss, theft or destruction, upon receipt of such holder's unsecured indemnity agreement (or, in the case of any holder of a Note other than an institutional investor, upon receipt of an indemnity bond in such reasonable amount as the Company may determine), or in the case of any such mutilation upon surrender and cancellation of such Note, the Company will make and deliver a new Note, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Note within 5 Business Days.

11E. Persons Deemed Owners; Participations. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name any Note is

registered as the owner and holder of such Note for the purpose of receiving payment of principal of, interest on and any Premium payable with respect to such Note and for all other purposes whatsoever, whether or not such Note shall be overdue, and the Company shall not be affected by notice to the contrary. Subject to the preceding sentence, the holder of any Note may from time to time grant participations in such Note to any Person on such terms and conditions as may be determined by such holder in its sole and absolute discretion, provided that any such participation shall be in a principal amount of at least $100,000.

11F. Survival of Representations and Warranties; Entire Agreement. All representations and warranties contained herein or made in writing by or on behalf of the Company in connection herewith shall survive the execution and delivery of this Agreement and the Notes, the transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any Transferee, regardless of any investigation made at any time by or on behalf of any Purchaser or any Transferee. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between the Purchasers and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

11G. Successors and Assigns. All covenants and other agreements in this Agreement contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto (including, without limitation, any Transferee) whether so expressed or not.

11H. Disclosure to Other Persons. The Company acknowledges that the holder of any Note may deliver copies of any financial statements and other documents delivered to such holder, and disclose any other information disclosed to such holder, by or on behalf of the Company or any of its Subsidiaries in connection with or pursuant to this Agreement to (i) such holder's directors, trustees, officers, employees, agents and professional consultants, (ii) any other holder of any Note, (iii) any Person to which such holder offers to sell such Note or any part thereof, (iv) any Person to which such holder sells or offers to sell a participation in all or any part of such Note, (v) any Person from which such holder offers to purchase any security of the Company, (vi) any federal or state regulatory authority having jurisdiction over such holder, (vii) the National Association of Insurance Commissioners or any similar organization or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (a) in compliance with any law, rule, regulation or order applicable to such holder, (b) in response to any subpoena or other legal process or informal investigative demand, (c) in connection with any litigation

to which such holder is a party or (d) in connection with the enforcement (or attempted enforcement) of any of the Financing Documents. Each Purchaser agrees (and any Transferee which avails itself of the benefits of Section 5A(iii) or (xii) or Section 5C shall be deemed to have likewise agreed) (such Purchaser and any such Transferee each herein called a "Holder") to hold in confidence in accordance with its internal corporate practice for treating confidential information received from third parties and not disclose any information (other than information (a) which was publicly known or otherwise known to such Holder at the time of disclosure (except pursuant to disclosure in connection with this Agreement), (b) which subsequently becomes publicly known through no act or omission by such Holder, or (c) which otherwise becomes known to such Holder, other than through disclosure by the Company or any of its Subsidiaries) delivered or made available by or on behalf of the Company or any of its Subsidiaries to such Holder (including without limitation any nonpublic information obtained pursuant to Section 5A or 5C) in connection with or pursuant to this Agreement which is clearly marked or labeled as being confidential information, provided that nothing herein shall prevent the holder of any Note from disclosing such information as provided in the preceding sentence.

11I. Notices. All written communications provided for hereunder shall be sent by first class mail or nationwide overnight delivery service (with charges prepaid) and by telecopy (such delivery confirmed by telephone) and (i) if to any Purchaser, addressed to such Purchaser at the address (or facsimile telephone number) specified for such communications in the Purchaser Schedule attached hereto, or at such other address (or facsimile telephone number) as such Purchaser shall have specified to the Company in writing, (ii) if to any other holder of any Note, addressed to such other holder at such address (or facsimile telephone number) as such other holder shall have specified to the Company in writing or, if any such other holder shall not have so specified an address to the Company, then addressed to such other holder in care of the last holder of such Note which shall have so specified an address to the Company, (iii) if to the Company, [_______________], or at such other address (or facsimile telephone number) as the Company shall have specified to the holder of each Note in writing.

11J. Substitution of Wholly-Owned Subsidiary. With respect to the Notes being purchased by any Institutional Investor, such Purchaser shall have the right to substitute one of its Wholly-Owned Subsidiaries as the purchaser of any of the Notes to be purchased by such Purchaser hereunder, by written notice delivered to the Company, which notice shall be signed by such Purchaser and such Subsidiary, shall contain such Subsidiary's agreement to be bound by this Agreement and shall contain a confirmation by such Subsidiary of the accuracy with respect to it of the representations contained in

Section 9, provided that such confirmation may contain a statement to the effect that such Subsidiary shall at all times have the right to transfer the Notes being purchased by it to such Purchaser. The Company agrees that, upon receipt of any such notice, whenever the terms "Purchaser" and "holder" are used in this Agreement (other than this Section 11J), in reference to such transferring Purchaser, such terms shall be deemed to refer to such Subsidiary in lieu of said transferring Purchaser. In the event that such Subsidiary is so substituted hereunder and thereafter transfers its Notes or any portion thereof to such transferring Purchaser, upon receipt by the Company of notice of such transfer, whenever the terms "Purchaser" and "holder" are used in this Agreement (other than in this Section 11J) in reference to such transferring Purchaser, such terms shall be deemed to refer to such transferring Purchaser to the extent it owns all or any portion of the Notes, and such transferring Purchaser and such Subsidiary to such extent shall each have all the rights of any original Purchaser of Notes under this Agreement.

11K. Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day. If the date for any payment is extended to the next succeeding Business Day by reason of the preceding sentence, the period of such extension shall be included in the computation of the interest payable on such Business Day.

11L. Satisfaction Requirement. If any agreement, certificate or other writing, or any action taken or to be taken, is by the terms of this Agreement required to be satisfactory to any Purchaser or to the Required Holder(s), the determination of such satisfaction shall be made by such Purchaser or the Required Holder(s), as the case may be, in the sole and exclusive judgment (exercised in good faith) of the Person or Persons making such determination.

11M. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK WITHOUT REFERENCE TO ITS CONFLICT OF LAW PRINCIPLES.

11N. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11O. Descriptive Headings. The descriptive headings of the several Sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11P. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument.

11Q. Severalty of Obligations. The sales of Notes to the Purchasers are to be several sales, and the obligations of the Purchasers under this Agreement are several obligations. Except as provided in Section 3G, no failure by any Purchaser to perform its obligations under this Agreement shall relieve any other Purchaser or the Company of any of its obligations hereunder, and no Purchaser shall be responsible for the obligations of, or any action taken or omitted by, any other Purchaser hereunder.

11R. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT, ANY EXHIBIT HERETO OR ANY FINANCING DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING OR STATEMENTS (WHETHER ORAL OR WRITTEN) MADE HEREIN BY THE PARTIES.

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterparts of this letter and return the same to Heritage and the Operating Partnership, whereupon this letter shall become a binding agreement among Heritage, the Operating Partnership and the Purchasers.

Very truly yours,

HERITAGE HOLDINGS, INC.

By

HERITAGE OPERATING, L.P.

By

Exhibit 10.3

CONTRIBUTION, CONVEYANCE AND ASSUMPTION AGREEMENT

This Contribution, Conveyance and Assumption Agreement, dated as of June _______, 1996, is entered into by and among HERITAGE PROPANE PARTNERS, L.P., a Delaware limited partnership (the "Partnership"), HERITAGE OPERATING, L.P., a Delaware limited partnership (the "Operating Partnership"), HERITAGE-BI STATE CORP., a Delaware corporation ("HBSC") and HERITAGE HOLDINGS, INC., a Delaware corporation (the "Company").

RECITALS

WHEREAS, the Company, as general partner, and James Bertelsmeyer ("Bertelsmeyer"), as the organizational limited partner, have formed the Partnership pursuant to the Delaware Revised Uniform Limited Partnership Act (the "Delaware Act") for the purpose of serving as the sole limited partner of the Operating Partnership;

WHEREAS, the Company contributed $10.00 to the capital of the Partnership and received a 1% general partner interest therein; and Bertelsmeyer contributed $990.00 to the capital of the Partnership and received a 99% limited partner interest therein;

WHEREAS, the Company and the Partnership have heretofore formed the Operating Partnership pursuant to the Delaware Act for the purpose of aquiring, owning and operating the propane business and assets of the Company (the "Business");

WHEREAS, the Company contributed $10.10 to the capital of the Operating Partnership and received a 1.0101% general partner interest therein; and the Partnership contributed

$989.90 to the capital of the Operating Partnership and received a 98.9899% limited partner interest therein;

WHEREAS, immediately prior to the consummation of the transactions contemplated hereby, New Mexico Propane of Taos, Inc., a New Mexico corporation, was merged into its immediate parent Heritage Propane of New Mexico, Inc;

WHEREAS, Heritage Propane Corporation, a Delaware corporation ("Heritage") has previously formed Bi State Merger Corp., a Delaware corporation ("BSMC"), as a wholly owned subsidiary of Heritage, and caused its subsidiary Heritage Nevada Inc., an Oklahoma corporation, to merge into BSMC;

WHEREAS, HBSC, a wholly owned subsidiary of the Company, and Heritage have previously formed Heritage-Bi State, L.L.C., a Delaware limited liability company (the "LLC") owned 99% by Heritage and 1% by HBSC;

WHEREAS, immediately prior to the consummation of the transactions contemplated hereby, Heritage has caused BSMC to merge with and into the LLC such that the LLC is the resulting owner of the 50% general partnership interest in Bi State Propane, a California general partnership, previously held by Heritage Nevada, Inc.;

WHEREAS, immediately prior to the consummation of the transactions contemplated hereby, (i) Ikard of Texas, Inc., Sawyer Gas of Jacksonville, Inc., Heritage Propane of New Mexico, Inc., Holton's LP Gas Co., Northern Energy, Inc. and Carolane Propane Gas, Inc., each wholly-owned subsidiaries of Heritage will be merged with and into Heritage, and (ii) Heritage, a wholly-owned subsidiary of the Company, will be merged with and into the Company, with the Company being the surviving corporation in the merger;

WHEREAS, concurrently with the consummation of the transactions contemplated hereby, the Company will issue $120,000,000 in principal amount of notes to certain institutional investors in a private placement;

WHEREAS, as of the date hereof, the Company, as general partner, and the Partnership, as organizational limited partner, have entered into that certain Amended and Restated Agreement of Limited Partnership of the Operating Partnership (the "Operating Partnership Agreement");

WHEREAS, as of the date hereof, Bertelsmeyer, as the organizational limited partner, and the Company, as the general partner, have entered into that certain Amended and Restated Agreement of Limited Partnership of the Partnership (the "Partnership Agreement");

WHEREAS, pursuant to the Operating Partnership Agreement, the Company has agreed to contribute to the Operating Partnership, as a capital contribution thereto, substantially all of its assets (including the 99% interest in the LLC previously held by Heritage, but excluding those assets specifically excluded hereby) related to the Business in exchange for (i) the continuation of its 1.0101% general partner interest in the Operating Partnership, (ii) a limited partner interest in the Operating Partnership, (iii) the assumption by the Operating Partnership of substantially all of the liabilities (excluding those liabilities specifically excluded hereby) of the Company and (iv) other good and valuable consideration;

WHEREAS, HBSC will be merged with and into the Company, with the Company being the surviving corporation in the merger;

WHEREAS, pursuant to the Partnership Agreement, the Company has agreed to contribute to the Partnership, as a capital contribution thereto, all of its limited partner interests in

the Operating Partnership and a 1% interest in the LLC held by HBSC prior to its merger into the Company (the "LLC Interest") in exchange for (i) its continued 1% general partner interest in the Partnership and (ii) Subordinated Units;

WHEREAS, in connection with the above described contributions, the Company has agreed to indemnify the Partnership and the Operating Partnership from and against certain liabilities and the Operating Partnership has agreed to indemnify the Company from and against certain liabilities;

NOW, THEREFORE, in consideration of their mutual undertakings and agreements hereunder, the parties to this Agreement undertake and agree as follows:

ARTICLE I

DEFINITIONS

The following capitalized terms shall have the meanings given below.

"Agreement" means this Contribution, Conveyance and Assumption Agreement.

"Assets" means all of the assets owned, leased or held by the Company, as of the Effective Time, of every kind character and description, whether tangible or intangible, whether real, personal or mixed, whether accrued or contingent, and wherever located, including, without limitation, all of the assets necessary to operate the Business as presently being operated by the Company and all right, title and interest of the Company in and to the following assets:

(a) propane inventory and other inventory and supplies of any kind;

(b) storage tanks and containers, propane cylinders, office furniture, furnishings, computers and equipment of any kind;

(c) all real property wherever located, together with all buildings, improvements, appurtenances and fixtures of every kind or nature located thereon;

(d) all rights in real property or personal property arising under leases, easements or other contracts or arrangements;

(e) all motor vehicles, trailers, tanks, railcars, and related equipment, whether owned or leased;

(f) every contract, agreement, arrangement, grant, gift, trust or other arrangement or understanding of any kind;

(g) any and all right, claims and causes of action that the Company may have under warranties, insurance policies or otherwise against any person or property, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of the Company as of the Effective Time, insofar as any of the same relate to the Business prior to the Effective Time and such rights, claims or causes of action representing reimbursement or recovery of amounts actually paid by the Partnership or the Operating Partnership after the Effective Time;

(h) every right to sell or distribute any product or service;

(i) all know-how, every trade secret, every customer list and all other confidential information of every kind;

(j) every customer relationship, employee relationship, supplier relationship and other relationship of any kind;

(k) every business conducted prior to the Effective Time;

(l) every other proprietary right of any kind;

(m) all governmental licenses, permits and authorizations of every kind;

(n) copies of all of the books, records, papers and instruments of the Company, of whatever nature and wherever located, including without limitation, accounting and financial records, documentation related to the Business, customer correspondence, sales records, credit reports and other data relating to the Business;

(o) any and all monies, rents, revenues, accounts receivable or other proceeds receivable or owing to the Company;

(p) all deposits, prepayments and prepaid expenses;

(q) all unbilled receivables;

(r) all stock, partnership or other equity interests in any entity, including without limitation a 99% interest in the LLC;

(s) ______ shares of stock in Guilford Gas, Inc., a _____________ corporation;

(t) all of the outstanding shares of stock in M-P Oils, Ltd., a Canadian corporation;

(u) all trade names, trademarks, service marks, logos, marks and symbols of any kind, together with all goodwill associated therewith and all other trade names, trademarks and service marks;

(v) all rights, benefits, privileges and appurtenances pertaining to any of the foregoing;

excluding, however, any of such assets that constitute Excluded Assets.

"Assumed Liabilities" means all of the Company's liabilities arising from or relating to the Assets or the Business, as of the Effective Time, of every kind, character and description,

whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of the Company as of the Effective Time, excluding, however, any of such liabilities that constitute Excluded Liabilities.

"BSMC" has the meaning assigned to such term in the Recitals to this Agreement.

"Business" has the meaning assigned to such term in the Recitals to this Agreement.

"Company" has the meaning assigned to such term in the opening paragraph of this Agreement.

"Conveyance, Assignment and Bill of Sale" means that certain Conveyance, Assignment and Bill of Sale, dated of even date herewith, in recordable form from the Company to the Operating Partnership, the form of which is attached hereto as Exhibit A.

"Delaware Act" has the meaning assigned to such term in the Recitals to this Agreement.

"Effective Time" means 9:00 a.m. Eastern Standard Time on June ______, 1996.

"Excluded Assets" means those assets of the Company described on Schedule 1 hereto.

"Excluded Liabilities" means all of the liabilities described on Schedule 2 hereto.

"Existing Indebtedness" means the indebtedness of the Company evidenced by senior secured notes issued in the principal amount of $120,000,000.

"HBSC" has the meaning assigned to such term in the opening paragraph of this Agreement.

"Laws" means any and all laws, statutes, ordinances, rules or regulations promulgated by a governmental authority, orders of a governmental authority, judicial decisions, decisions of arbitrators or determinations of any governmental authority or court.

"Limited Partner Interest" has the meaning assigned to such term in Section 2.1.

"LLC" has the meaning assigned to such term in the Recitals to this Agreement.

"LLC Interest" has the meaning assigned to such term in the Recitals to this Agreement.

"Operating Partnership" has the meaning assigned to such term in the opening paragraph of this Agreement.

"Operating Partnership Agreement" has the meaning assigned to such term in the Recitals to this Agreement.

"Partnership" has the meaning assigned to such term in the opening paragraph of this Agreement.

"Partnership Agreement" has the meaning assigned to such term in the Recitals to this Agreement.

"Restriction" has the meaning assigned to such term in Section 9.2.

"Restriction-Asset" has the meaning assigned to such term in Section 9.2.

"Specific Conveyances" has the meaning assigned to such term in Section 2.2.

"Subordinated Units" has the meaning assigned to such term in the Partnership Agreement.

ARTICLE II

CONTRIBUTION TO THE OPERATING PARTNERSHIP

2.1. Contribution. The Company hereby grants, contributes, transfers and conveys to the Operating Partnership, its successors and assigns, for its and their own use forever, all right, title and interest in and to the Assets in exchange for (i) the continuation of the Company's 1.0101% general partner interest in the Operating Partnership, (ii) a limited partner interest in the Operating Partnership (the "Limited Partner Interest"), (iii) the assumption of certain liabilities by the Operating Partnership as provided in Section 4.1 and (iv) other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and the Operating Partnership hereby accepts the Assets, as a contribution to the capital of the Operating Partnership.

TO HAVE AND TO HOLD the Assets unto the Operating Partnership, its successors and assigns, together with all and singular the rights and appurtenances thereto in any wise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

2.2. Specific Conveyances. To further evidence this conveyance and more fully and effectively convey record title with respect to the real property included in the Assets, the Company has executed and delivered to the Operating Partnership multiple counterparts of the Conveyance, Assignment and Bill of Sale substantially in the form attached hereto as Exhibit A (the "Specific Conveyances"). The Specific Conveyances shall evidence and perfect the sale and contribution made by this Agreement and shall not constitute a second conveyance of the Assets or interests therein and shall be subject to the terms of this Agreement. The Specific Conveyances are not intended to modify, and shall not modify, any of the terms, covenants and conditions herein set forth

and are not intended to create, and shall not create, any additional covenants or warranties of or by the Company.

ARTICLE III

CONTRIBUTION TO THE PARTNERSHIP

3.1 Contribution. (a) The Company hereby grants, contributes, transfers and conveys to the Partnership, its successors and assigns, for its and their own use forever, all right, title and interest of the Company in and to the Limited Partner Interest and the LLC Interest in exchange for (i) the continuation of the Company's 1% general partner interest in the Partnership, (ii) the receipt of 3,702,943 Subordinated Units, and (iii) other good and valuable consideration, the sufficiency of which is hereby acknowledged and the Partnership hereby accepts the Limited Partner Interest and the LLC Interest, as a contribution to the capital of the Partnership resulting in the Partnership owning a 98.9899% limited partner interest in the Operating Partnership.

TO HAVE AND TO HOLD the Limited Partner Interest and the LLC Interest unto the Partnership, its successors and assigns, together with all and singular the rights and appurtenances thereto in anywise belonging, subject, however, to the terms and conditions stated in this Agreement, forever.

ARTICLE IV

ASSUMPTION OF CERTAIN LIABILITIES

4.1. Assumption of Certain Liabilities by the Operating Partnership. In connection with the contribution and transfer of the Assets to the Operating Partnership by the Company, the Operating Partnership hereby assumes and agrees to duly and timely pay, perform and discharge the Assumed Liabilities, including the payment obligations of the Company with respect to the Existing

Indebtedness, to the full extent that the Company has been heretofore or would have been in the future, were it not for the execution and delivery of this Agreement, obligated to pay, perform and discharge the Assumed Liabilities; provided, however, that said assumption and agreement to duly and timely pay, perform and discharge the Assumed Obligations shall not increase the obligation of the Operating Partnership with respect to the Assumed Liabilities beyond that of the Company, waive any valid defense that was available to the Company with respect to the Assumed Liabilities or enlarge any rights or remedies of any third party under any of the Assumed Liabilities.

ARTICLE V

INDEMNIFICATION

5.1. Indemnification With Respect to Excluded Liabilities. The Company shall indemnify, defend and hold harmless the Partnership, the Operating Partnership, their respective officers and directors and their respective successors and assigns from and against any and all claims, demands, costs, liabilities (including, without limitation, liabilities arising by way of active or passive negligence) and expenses (including court costs and reasonable attorneys' fees) of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of the Company as of the Effective Time, arising from or relating to (i) the Excluded Liabilities or (ii) any failure of the Company to comply with any applicable bulk sales law of any jurisdiction in connection with the transfer of the Assets to the Operating Partnership.

5.2. Indemnification With Respect to Assumed Liabilities. The Operating Partnership shall indemnify, defend and hold harmless the Company, its officers and directors, its successors and assigns from and against any and all claims, demands, costs, liabilities (including, without limitation,

liabilities arising by way of active or passive negligence) and expenses (including court costs and reasonable attorneys' fees) of every kind, character and description, whether known or unknown, accrued or contingent, and whether or not reflected on the books and records of the Company as of the Effective Time, arising from or relating to the Assumed Liabilities.

ARTICLE VI

TITLE MATTERS

6.1. Encumbrances. The contribution of the Assets made under Section 2.1 is made expressly subject to (a) all recorded and unrecorded liens, encumbrances, agreements, defects, restrictions, adverse claims and all laws, rules, regulations, ordinances, judgments and orders of governmental authorities or tribunals having or asserting jurisdiction over the Assets or the Business and operations conducted thereon or therewith, in each case to the extent the same are valid, enforceable and affect the Assets, including, without limitation, all matters that a current survey or visual inspection of the Assets would reflect, (b) the Assumed Liabilities and (c) all matters contained in the Specific Conveyances.

6.2. Disclaimer of Warranties; Subrogation; Waiver of Bulk Sales Laws.

(a) THE COMPANY IS CONVEYING THE ASSETS "AS IS" WITHOUT REPRESENTATION OR WARRANTY, WHETHER EXPRESS, IMPLIED OR STATUTORY (ALL OF WHICH THE COMPANY HEREBY DISCLAIMS), AS TO (i) TITLE, (ii) FITNESS FOR ANY PARTICULAR PURPOSE OR MERCHANTABILITY OR DESIGN OR QUALITY, OR (iii) ANY OTHER MATTER WHATSOEVER. THE PROVISIONS OF THIS SECTION 6.2 HAVE BEEN NEGOTIATED BY THE OPERATING PARTNERSHIP AND THE COMPANY AFTER DUE CONSIDERATION

AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY REPRESENTATIONS OR WARRANTIES OF THE COMPANY, WHETHER EXPRESS, IMPLIED OR STATUTORY, WITH RESPECT TO THE ASSETS THAT MAY ARISE PURSUANT TO ANY LAW NOW OR HEREAFTER IN EFFECT, OR OTHERWISE, EXCEPT AS EXPRESSLY SET FORTH HEREIN.

(b) The contribution of the Assets made under Section 2.1 is made with full rights of substitution and subrogation of the Operating Partnership, and all persons claiming by, through and under the Operating Partnership, to the extent assignable, in and to all covenants and warranties by the predecessors-in-title of the Company, and with full subrogation of all rights accruing under applicable statutes of limitation and all rights of action of warranty against all former owners of the Assets.

(c) The Company and the Operating Partnership agree that the disclaimers contained in this Section 6.2 are "conspicuous" disclaimers. Any covenants implied by statute or law by the use of the words "grant," "convey," "bargain," "sell," "assign," "transfer," "deliver," or "set over" or any of them or any other words used in this Agreement are hereby expressly disclaimed, waived and negated.

(d) Each of the parties hereto hereby waives compliance with any applicable bulk sales law or any similar law in any applicable jurisdiction in respect of the transactions contemplated by this Agreement.

ARTICLE VII

FURTHER ASSURANCES

7.1. Company Assurances. From time to time after the date hereof, and without any further consideration, the Company shall execute, acknowledge and deliver all such additional deeds, assignments, bills of sale, conveyances, instruments, notices, releases, acquittances and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate (i) more fully to assure the Operating Partnership, its successors and assigns, all of the properties, rights, titles, interests, estates, remedies, powers and privileges by this Agreement granted to the Operating Partnership or intended so to be, (ii) more fully and effectively to vest in the Partnership and its successors and assigns beneficial and record title to the Limited Partner Interest and the LLC Interest hereby contributed and assigned to the Partnership or intended so to be and to put the Partnership in actual possession and control of the Limited Partner Interest and the LLC Interest and to more fully and effectively carry out the purposes and intent of this Agreement.

7.2. Partnership and Operating Partnership Assurances. From time to time after the date hereof, and without any further consideration, the Partnership and the Operating Partnership shall execute, acknowledge and deliver all such additional instruments, notices and other documents, and will do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate to more fully and effectively carry out the purposes and intent of this Agreement.

ARTICLE VIII

POWER OF ATTORNEY

The Company hereby constitutes and appoints the Operating Partnership, its successors and assigns, its true and lawful attorney-in-fact with full power of substitution for it and in its name, place and stead or otherwise on behalf of the Company, its successors and assigns, and for the benefit of the Operating Partnership, its successors and assigns, to demand and receive from time to time the Assets and to execute in the name of the Company and its successors and assigns instruments of conveyance, instruments of further assurance and to give receipts and releases in respect of the same, and from time to time to institute and prosecute in the name of the Operating Partnership or the Company for the benefit of the Operating Partnership, as may be appropriate, any and all proceedings at law, in equity or otherwise which the Operating Partnership, its successors and assigns may deem proper in order to collect, assert or enforce any claims, rights or titles of any kind in and to the Assets, and to defend and compromise any and all actions, suits or proceedings in respect of any of the Assets and to do any and all such acts and things in furtherance of this Agreement as the Operating Partnership, its successors or assigns shall deem advisable. The Company hereby declares that the appointment hereby made and the powers hereby granted are coupled with an interest and are and shall be irrevocable and perpetual and shall not be terminated by any act of the Company, its successors or assigns or by operation of law.

ARTICLE IX

MISCELLANEOUS

9.1. Order of Completion of Transactions; Effective Time.

(a) The transactions provided for in Articles II and III of this Agreement shall be completed on the date of this Agreement in the following order:

First, the transactions provided for in Article II shall be completed; and

Second, the transactions provided for in Article III shall be completed.

(b) The contribution of the Assets to the Operating Partnership shall be effective for all purposes as of the Effective Time.

9.2. Consents; Restriction on Assignment. If there are prohibitions against or conditions to the conveyance of one or more portions of the Assets without the prior written consent of third parties, including, without limitation, governmental agencies (other than consents of a ministerial nature which are normally granted in the ordinary course of business), which if not satisfied would result in a breach of such prohibitions or conditions or would give an outside party the right to terminate the Operating Partnership's rights with respect to such portion of the Assets (herein called a "Restriction"), then any provision contained in this Agreement to the contrary notwithstanding, the transfer of title to or interest in each such portion of the Assets (herein called the "Restriction-Asset") pursuant to this Agreement shall not become effective unless and until such Restriction is satisfied, waived or no longer applies. When and if such a Restriction is so satisfied, waived or no longer applies, to the extent permitted by applicable law and any applicable contractual provisions, the assignment of the Restriction-Asset subject thereto shall become effective automatically as of the Effective Time, without further action on the part of the Operating Partnership or the Company.

The Company and the Operating Partnership agree to use their best efforts to obtain satisfaction of any Restriction on a timely basis. The description of any portion of the Assets as a "Restriction-Asset" shall not be construed as an admission that any Restriction exists with respect to the transfer of such portion of the Assets. In the event that any Restriction-Asset exists, the Company agrees to hold such Restriction-Asset in trust for the exclusive benefit of the Operating Partnership and to otherwise use its best efforts to provide the Operating Partnership with the benefits thereof, and the Company will enter into other agreements, or take such other action as it deems necessary, in order to help ensure that the Operating Partnership has the assets and concomitant rights necessary to enable it to operate the Assets contributed to the Operating Partnership in all material respects as they were operated prior to the Effective Time.

9.3. Costs. The Operating Partnership shall pay all sales, use and similar taxes arising out of the contributions, conveyances and deliveries to be made hereunder, and shall pay all documentary, filing, recording, transfer, deed, and conveyance taxes and fees required in connection therewith. In addition, the Operating Partnership shall be responsible for all costs, liabilities and expenses (including court costs and reasonable attorneys' fees) incurred in connection with the satisfaction or waiver of any Restriction pursuant to Section 9.2.

9.4. Headings: References: Interpretation. All Article and Section headings in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any of the provisions hereof. The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole, including, without limitation, all Schedules and Exhibits attached hereto, and not to any particular provision of this Agreement. All references herein to Articles, Sections, Schedules and Exhibits

shall, unless the context requires a different construction, be deemed to be references to the Articles and Sections of this Agreement and the Schedules and Exhibits attached hereto, and all such Schedules and Exhibits attached hereto are hereby incorporated herein and made a part hereof for all purposes. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, and the singular shall include the plural and vice versa. The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation," "but not limited to," or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter.

9.5. Successors and Assigns. The Agreement shall be binding upon and inure to the benefit of the parties signatory hereto and their respective successors and assigns.

9.6. No Third Party Rights. The provisions of this Agreement are intended to bind the parties signatory hereto as to each other and are not intended to and do not create rights in any other person or confer upon any other person any benefits, rights or remedies and no person is or is intended to be a third party beneficiary of any of the provisions of this Agreement.

9.7. Counterparts. This Agreement may be executed in any number of counterparts, all of which together shall constitute one agreement binding on the parties hereto.

9.8. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Oklahoma applicable to contracts made and to be performed wholly

within such state without giving effect to conflict of law principles thereof, except to the extent that it is mandatory that the law of some other jurisdiction, wherein the Assets are located, shall apply.

9.9. Severability. If any of the provisions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed as if it did not contain the particular provision or provisions held to be invalid, and an equitable adjustment shall be made and necessary provision added so as to give effect to the intention of the parties as expressed in this Agreement at the time of execution of this Agreement.

9.10. Deed; Bill of Sale; Assignment. To the extent required by applicable law, this Agreement shall also constitute a "deed," "bill of sale" or "assignment" of the Assets.

9.11. Amendment or Modification. This Agreement may be amended or modified from time to time only by the written agreement of all the parties hereto.

9.12 Integration. This Agreement supersedes all previous understandings or agreements between the parties, whether oral or written, with respect to its subject matter. This document is an integrated agreement which contains the entire understanding of the parties. No understanding, representation, promise or agreement, whether oral or written, is intended to be or shall be included in or form part of this Agreement unless it is contained in a written amendment hereto executed by the parties hereto after the date of this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the date first above written.

HERITAGE HOLDINGS, INC.

By: ------------------------------------
Name: ----------------------------------
Title: ---------------------------------

HERITAGE OPERATING, L.P.

By: Heritage Holdings, Inc.,
as general partner

By: -------------------------------

HERITAGE PROPANE PARTNERS, L.P.

By: Heritage Holdings, Inc.,
as general partner

By: -------------------------------

HERITAGE-BI STATE CORP.

By: ------------------------------------
Name: ----------------------------------
Title: ---------------------------------

SCHEDULE 1

EXCLUDED ASSETS

1. The capital stock of Heritage-Bi State Corp. which owns a 1% interest in Heritage-Bi State, L.L.C.

2. Key Man Life

3. Cash in the amount of $________________ representing the present value of the obligations to make the "Non Competition Payment" defined on Schedule 2.

4. Cash in the amount of $________________ from the proceeds of the debt offering.

SCHEDULE 2

EXCLUDED LIABILITIES

The obligations to pay non compete payment is recorded on the Company's consolidated books as approximately $_______________ (the "Non Competition Payments").

[Prudential and GTC Notes - obligations by the Company to honor any covenants in the security documents pledging the shareholders stock per these obligations]

Federal and State income tax liability of the Company.

EXHIBIT 10.7

DRAFT
6/21/96

HERITAGE HOLDINGS, INC.
UNIT PURCHASE PLAN

Heritage Holdings, Inc., a Delaware corporation (the "Company"), hereby establishes the Heritage Holdings, Inc. Unit Purchase Plan (the "Plan") effective as of ______________________________, 1996.

1. Purpose. The purpose of the Plan is to promote the interests of the Company and the Partnership by encouraging employees of the Company and its Subsidiaries to acquire or increase their ownership of Units and to provide a means whereby such individuals may develop a sense of proprietorship and personal involvement in the development and financial success of the Partnership, and to encourage them to devote their best efforts to the business of the Partnership, thereby advancing the interests of the Partnership and the Company.

2. Definitions. As used in this Plan:

(a) "Board" means the Board of Directors of the Company.

(b) "Committee" means the committee appointed to administer the Plan pursuant to Paragraph 13.

(c) "Employee" means any individual who is a full-time employee of the Company, the Partnership or a Subsidiary, but excluding any Employee covered by a collective bargaining agreement unless such bargaining agreement provides for his participation in the Plan.

(d) "Employer" means the Company, the Partnership or a Subsidiary, as the case may be.

(e) "Partnership" means Heritage Propane Partners, L.P.

(f) "Purchase Period" means the 10-day period following the end of each calendar quarter; provided, however, the Purchase Period shall include such other periods, if any, as may be designated by the Committee from time to time.

(g) "Rule 16b-3" means Rule 16b-3 of the Securities and Exchange Commission (or any successor rule to the same effect) as in effect from time to time.

(h) "Subsidiary" means any entity in which, at the relevant time, the Company owns or controls, directly or indirectly, not less than 50% of the total combined voting power represented by all classes of equity interests issued by such entity.

(i) "Units" means a limited partnership interest in the Partnership represented by Common Units as set forth in the Partnership Agreement and described in the Registration Statement for the securities of the Partnership.

3. Units Available Under Plan. The maximum number of Units that may be purchased for Employees under this Plan is 20,000. Units to be delivered under the Plan may be Units acquired by the Company in the open market, Units already owned by the Company, Units acquired by the Company directly from the Partnership or any other person, or any combination of the foregoing. Upon an Employee's termination of employment with the Employers, all amounts then credited to his notional account under the Plan, if any, shall be paid to the terminated Employee as soon as practicable. In the event that any change is made to the Units deliverable under the Plan, the Committee may make appropriate adjustments in the maximum number of Units deliverable under the Plan. The adjustments determined by the Committee shall be final, binding and conclusive.

4. Employee Withholding Elections. The Committee shall provide an Employee the ability to purchase Units under this Plan upon the following terms and conditions:

(a) Effective as of the beginning of any month, an Employee may elect to have his Employer withhold from his base salary or base wages each future pay period for the purchase of Units hereunder a designated percentage of his base pay (in whole percentages only not to exceed 10%). An Employee may change (within the above limitations) or stop his withholding election at any time, however, only one such change may be made during any calendar year. All Employee elections and any changes to an election shall be in such written form as the Committee or its delegate may establish from time to time.

(b) Each withholding election made by an Employee hereunder shall be an ongoing election until the earlier of the date changed by the Employee or the date the Employee ceases to be eligible to participate in the Plan.

(c) The Employers shall maintain for each electing Employee a separate notional or ledger account reflecting the aggregate amount of his base pay that has been withheld and not yet applied to the purchase of Units for such Employee. Amounts of base pay withheld by the Employer shall not be segregated from the general assets of the Employer and shall not bear interest.

(d) During each Purchase Period, the Employers shall use, to the fullest extent practicable, all amounts then credited to the notional accounts of the electing Employees to purchase Units for such Employees. Purchases of Units may be made at any time or times during the Purchase Period on any securities exchange on which the Units are traded, in the over-the-counter market and/or in negotiated transactions as the Committee shall determine. Any amounts credited to a notional account and not so applied during a Purchase Period shall be returned to the Employee.

(e) Upon an Employee's termination of Employment with the Employers, all amounts then credited to his notional account under the Plan, if any, shall be paid to the terminated Employee as soon as practicable.

5. Purchases of Units and Plan Expenses. During each Purchase Period the Employer shall purchase for its Employees the maximum number of whole Units that can be acquired based on the sum of (i) amounts then credited to the Employees' notional accounts and (ii) an amount, as determined from time to time by the Committee, not to exceed 10% of the price of the Units to be purchased. The Employers shall pay, other than from the notional accounts, all brokerage fees and other costs and expenses of the Plan.

6. Reimbursements of Employee Purchases. At any time during a year an Employee may furnish evidence satisfactory to the Company that during that year (i) the Employee has purchased, while an Employee, Units on the open-market and (ii) the Employee continues to own such Units. To the extent the purchase price paid by the Employee for such Units, when aggregated with any amounts withheld for such Employee pursuant to Paragraph 4 does not exceed 10% of his base pay for the year (through the date of reimbursement), the Company should reimburse (pay to) the Employee an amount equal to the sum of (x) the 10% of the purchase price of such Units and (y) any reasonable brokerage fees and expenses incurred on such purchase.

7. Sale of Units. If an Employee sells or otherwise disposes of any Units that the Employee has either acquired pursuant to or been reimbursed for under this Plan, the Employee shall not be eligible to again participate in the Plan and any amounts then credited to his notional account shall be paid to the Employee as soon as practicable.

8. No Fractional Units. The Employer will not be required to deliver any fractional Units pursuant to this Plan.

9. Withholding of Taxes. To the extent that the Employer is required to withhold any taxes in connection with either the purchase of Units for an Employee or the reimbursement for a purchase of Units, it will be a condition to the receipt of such Units or reimbursement that the Employee make arrangements satisfactory to the Employer for the payment of such taxes, which may include a reduction in the Employee's notional account or reimbursement as the case may be.

10. Rule 16b-3. It is intended that the Plan and any purchases by a person subject to Section 16 of the Securities and Exchange Act of 1934 meet all of the requirements of Rule 16b-3. If any provision of the Plan would disqualify the Plan, or would otherwise not comply with, Rule 16b-3, such provision shall be construed or deemed amended to conform to Rule 16b-3.

11. Investment Representation. Unless the Units subject to purchase under the Plan have been registered under the Securities Act of 1933, as amended (the "1933 Act"), and, in the case of any Employee who may be deemed an affiliate (for securities law purposes) of the Company or the Partnership, such Units have been registered under the 1933 Act for resale by such Participant, or the Partnership has determined that an exemption from registration is available, the Employer may require prior to and as a condition of the delivery of any Units that the person purchasing such Units hereunder furnish the Employer with a written representation in a form prescribed by the Committee to the effect that such person is acquiring said Units solely with a view to investment for his or her

own account and not with a view to the resale or distribution of all or any part thereof, and that such person will not dispose of any of such Units otherwise than in accordance with the provisions of Rule 144 under the 1933 Act unless and until either the Units are registered under the 1933 Act or the Employer is satisfied that an exemption from such registration is available.

12. Compliance with Securities Laws. Notwithstanding anything herein or in any other agreement to the contrary, the Partnership shall not be obligated to sell or issue any Units to an Employee under the Plan unless and until the Partnership is satisfied that such sale or issuance complies with (i) all applicable requirements of the securities exchange on which the Units are traded (or the governing body of the principal market in which such Units are traded, if such Units are not then listed on an exchange), (ii) all applicable provisions of the 1933 Act, and (iii) all other laws or regulations by which the Partnership is bound or to which the Partnership is subject. The Company acknowledges that, as the general partner of the Partnership, it is an affiliate of the Partnership under securities laws and it shall comply with such laws and obligations of the Partnership relating thereto as if they were directly applicable to the Company.

13. Administration of the Plan. (a) This Plan will be administered by a Committee, which at all times will consist entirely of not less than three directors appointed by the Board, each of whom will be a "disinterested person" within the meaning Rule 16b-3. A majority of the Committee will constitute a quorum, and the action of the members the Committee present at any meeting at which a quorum is present, or acts unanimously approved writing, will be the acts of the Committee.

(b) Subject to the terms of the Plan and applicable law, the Committee shall have the sole power, authority and discretion to: (i) determine which persons are Employees who may participate; (ii) determine the number of Units to be purchased by an Employee; (iii) determine the time and manner for purchasing Units; (iv) interpret, construe and administer the Plan; (v) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (vi) make a determination as to the right of any person to receive Units under the Plan; and (vii) make any other determinations and take any other actions that the Committee deems necessary or desirable for the administration of the Plan.

(c) The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan in the manner and to the extent it shall deem desirable in the establishment or administration of the Plan.

14. Amendments, Termination, Etc. (a) This Plan may be amended from time to time by the Board but may not be amended by the Board without further approval by the general partner of the Partnership if such amendment would result in this Plan no longer satisfying the requirements of Rule 16b-3.

(b) This Plan will not confer upon any Employee any right with respect to continuance of employment or other service with the Company, the Partnership or any Subsidiary, nor will it

interfere in any way with any right the Company, the Partnership or Subsidiary would otherwise have to terminate such Participant's employment or other service at any time.

(c) This Plan may be terminated at any time by the Board and shall automatically terminate when all Units authorized for purchase pursuant to the Plan have been purchased. On termination of the Plan, all amounts then remaining credited to the notional accounts for Employees shall be returned to the affected Employees.

15. Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with applicable Federal law, and to the extent not preempted thereby, with the laws of the State of Delaware.

EXHIBIT 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made part of this registration statement. We also consent to the application of our report on the Company's audited financial statements for the periods indicated therein to the additional tables labeled "Summary Historical and Pro Forma Financial and Operating Data" and "Selected Historical and Pro Forma Financial and Operating Data" included herein.

/s/ ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP

June 21, 1996

EXHIBIT 23.4

CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report (and to all references to our Firm) included in or made part of this registration statement.

/s/ TURLINGTON AND COMPANY, L.L.P.

TURLINGTON AND COMPANY, L.L.P.

June 21, 1996

EXHIBIT 23.5

As an independent Public Accountant, I hereby consent to the use of my reports (and to all references to my firm) included in or made part of this Registration Statement.

/s/ DAVID R. GARGANO CPA, P.C.

DAVID R. GARGANO CPA, P.C.

June 21, 1996