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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest reported) AUGUST 23, 2000

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

DELAWARE	1-11727	73-1493906
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. Employer Identification No.)

8801 SOUTH YALE AVENUE, SUITE 310, TULSA, OKLAHOMA 74137
(Address of principal executive offices and zip code)

(918) 492-7272
(Registrant's telephone number, including area code)

ITEM 2. Acquisition or Disposition of Assets:

On August 10, 2000, the Registrant acquired the propane-related assets of U.S. Propane, L.P. by its acquisition of U.S. Propane's interest in four separate limited liability companies, AGL Propane, L.L.C., Peoples Gas Company, L.L.C., United Cities Propane Gas, L.L.C. and Retail Propane Company, L.L.C. The purchase price of $181,395,000 was negotiated at arm's length with U.S. Propane and was payable $139,551,707 in cash, $31,843,293 of assumed debt (retired by the Registrant following the acquisition), and the issuance of 372,392 Common Units of the Registrant valued at $7,347,760 and a $2,652,240 limited partnership interest in the Registrant's operating partnership. The purchase price and the exchange price for the Common Units was approved by an independent committee of the Board of Directors. The exchange price for the Common Units was $19.73125 per Unit under a formula based on the average closing price of the Registrant's Common Units on the New York Stock Exchange for the twenty (20) day period beginning ten (10) days prior to the public announcement of the transaction on June 15, 2000 (the "Formula Price").

In order to finance the transaction, the Registrant borrowed $180,000,000 from the following institutional investors: Connecticut General Life Insurance Company; Clarica Life Insurance Company; GE Edison Life Insurance Company; Guardian Life Insurance Company of North America; John Hancock Life Insurance Company; Metropolitan Life Insurance Company; Nationwide Life Insurance Company; Pacific Life Insurance Company; Principal Life Insurance Company; ReliaStar Life Insurance Company; and Sun Life Assurance Company of Canada. Concurrently with the acquisition, the Registrant issued and sold 1,161,814 Common Units and 1,382,514 Class B Subordinated Units in a private placement to the former shareholders of its General Partner. The proceeds of $50,202,902 derived from this private placement were utilized to retire a portion of the debt arising from the US Propane acquisition. The Formula Price was also used to determine the sale price for the Units acquired in this private placement.

ITEM 5. Other Events:

On August 10, 2000, the Registrant announced that it had completed a series of transactions with US Propane, L.P., as described in the Press Release dated August 10, 2000, attached as an Exhibit to this Form 8-K. In conjunction with the US Propane transaction, the Registrant's subsidiary, Heritage Operating, L.P., entered into a Note Purchase Agreement dated August 10, 2000 under which it borrowed $180,000,000 from eleven (11) institutional investors to finance the acquisitions described in Item 2.

ITEM 7. Financial Statements and Exhibits.

(a) Financial Statements of businesses acquired:

The financial statements required in connection with the business acquisition described in Item 2 will be filed within seventy-five (75) days of August 10, 2000.

(b) Pro forma financial information:

The financial statements required in connection with the business acquisition described in Item 2 will be filed within seventy-five (75) days of August 10, 2000.

(c) Exhibits:

The following Exhibits are filed herewith:

Exhibit 3.1.1 - First Amendment to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.

Exhibit 10.1.3 - Third Amendment dated as of August 10, 2000 to First Amended and Restated Credit Agreement.

Exhibit 10.2.6 - Fourth Amendment Agreement dated August 10, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement.

Exhibit 10.16.4 - Fourth Amendment Agreement dated August 10, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement.

Exhibit No. 10.17 - Contribution Agreement dated June 15, 2000 among US Propane, L.P., Heritage Operating, L.P. and Heritage Propane Partners, L.P.

Exhibit 10.17.1 - Amendment dated August 10, 2000 to June 15, 2000 Contribution Agreement.

Exhibit 10.18 - Subscription Agreement dated June 15, 2000 between Heritage Propane Partners, L.P. and individual investors.

Exhibit 10.18.1 - Amendment dated August 10, 2000 to June 15, 2000 Subscription Agreement.

Exhibit 10.19 - Note Purchase Agreement dated as of August 10, 2000.

Exhibit No. 99.1 - Press Release dated August 10, 2000

SIGNATURES

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

DATED: August 23, 2000.

HERITAGE PROPANE PARTNERS, L.P.

By Heritage Holdings, Inc.
(General Partner)

By: /s/ H. Michael Krimbill

H. Michael Krimbill
President and Chief Executive Officer

INDEX TO EXHIBITS

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

Exhibit Number	Description
3.1.1	First Amendment to Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P.
10.1.3	Third Amendment dated as of August 10, 2000 to First Amended and Restated Credit Agreement
10.2.6	Fourth Amendment Agreement dated August 10, 2000 to June 25, 1996 Note Purchase Agreement and November 19, 1997 Note Purchase Agreement
10.16.4	Fourth Amendment Agreement dated August 10, 2000 to November 19, 1997 Note Purchase Agreement and June 25, 1996 Note Purchase Agreement
10.17	Contribution Agreement dated June 15, 2000 among US Propane, L.P., Heritage Operating, L.P. and Heritage Propane Partners, L.P.
10.17.1	Amendment dated August 10, 2000 to June 15, 2000 Contribution Agreement
10.18	Subscription Agreement dated June 15, 2000 between Heritage Propane Partners, L.P. and individual investors
10.18.1	Amendment dated August 10, 2000 to June 15, 2000 Subscription Agreement
10.19	Note Purchase Agreement dated as of August 10, 2000
99.1	Press Release dated August 10, 2000

EXHIBIT 3.1.1

AMENDMENT NO. 1
TO
AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
HERITAGE PROPANE PARTNERS, L.P.

This Amendment (this "Amendment") to the Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P. (the "Partnership"), dated as of June 27, 1996 (the "Partnership Agreement") is entered into effective as of August 9, 2000, by Heritage Holdings, Inc., a Delaware corporation (the "General Partner"), as the general partner of the Partnership, on behalf of itself and the Limited Partners of the Partnership. Capitalized terms used but not defined herein are used as defined in the Partnership Agreement.

RECITALS

WHEREAS, Section 5.6 of the Partnership Agreement provides that the General Partner, without the approval of any Limited Partner except as otherwise provided in the Partnership Agreement, may, for any Partnership purpose, at any time or from time to time, issue additional Partnership Securities for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion; and

WHEREAS, Section 13.1(g) of the Partnership Agreement provides that the General Partner, without the approval of any Partner (subject to Section 5.7 of the Partnership Agreement) may amend any provision of the Partnership Agreement to reflect an amendment that, in the discretion of the General Partner, is necessary or advisable in connection with the authorization of issuance of any class or series of Partnership Securities pursuant to Section 5.6; and

WHEREAS, the General Partner has determined that the creation of the Class B Subordinated Units and the Class C Units provided for in this Amendment (collectively, the "New Units") will be in the best interests of the Partnership and beneficial to the Limited Partners, including the holders of the Common Units and Subordinated Units; and

WHEREAS, the New Units, upon issuance, will have rights to distributions or in liquidation ranking on a parity with, or subordinate to, the Common Units; and

WHEREAS, the issuance of the New Units complies with the requirements of the Partnership Agreement;

NOW, THEREFORE, the Partnership Agreement is hereby amended to create two new classes of Partnership Securities as follows:

AMENDMENT

SECTION 1. ESTABLISHMENT OF TERMS OF CLASS B SUBORDINATED UNITS. There is hereby created a series of Units to be designated as "Class B Subordinated Units," consisting of a total of 1,382,514 Class B Subordinated Units and having the following terms and conditions:

A. Prior to the conversion of the Class B Subordinated Units as provided in Section 2, Section 4 or Section 5 hereof, unless amended pursuant to Section 3 hereof:

(i) During the Subordination Period:

(a) all allocations of items of Partnership income, gain, loss, deduction and credit shall be made to the Class B Subordinated Units on a basis that is pro rata with the Subordinated Units, so that the amount thereof allocated to each Subordinated Unit will equal the amount thereof allocated to each Class B Subordinated Unit; and

(b) the Class B Subordinated Units shall have the right to share in Partnership distributions on a pro rata basis with the Subordinated Units, so that the amount of any Partnership distribution to each Subordinated Unit will equal the amount of such distribution to each Class B Subordinated Unit; and

(c) the Class B Subordinated Units shall have rights upon dissolution and liquidation of the Partnership, including the right to share in any liquidating distributions, that are pro rata with the Subordinated Units, so that the amount of any liquidating distribution to each Subordinated Unit will equal the amount of such distribution to each Class B Subordinated Unit;

(ii) After the Subordination Period, for so long as Class B Subordinated Units remain outstanding:

(a) all items of Partnership income, gain, loss, deduction and credit shall be made to the Class B Subordinated Units to the same extent as such items would be so allocated if such Class B Subordinated Units were Subordinated Units that were then outstanding and the Subordination Period had not ended; and

(b) the Class B Subordinated Units shall have the right to share in Partnership distributions and shall have rights upon dissolution and liquidation of the Partnership, including the right to share in any liquidating distributions, in each case to the same extent as if such Class B Subordinated Units were Subordinated Units that were then outstanding and the Subordination Period had not ended.

B. The Class B Subordinated Units will not have the privilege of conversion as set forth in Section 5.8 of the Partnership Agreement (and Section 5.8 shall not apply to the Class B Subordinated Units); rather, the Class B Subordinated Units will be converted only pursuant to the provisions of Section 2, Section 4 or Section 5 hereof. A Class B Subordinated Unit that has converted into a Common Unit shall be subject to the provisions of Section 6.7(b) of the Partnership Agreement.

C. During the Subordination Period, (i) the Class B Subordinated Units will have voting rights that are identical to the voting rights of the Subordinated Units and will vote with the Subordinated Units as a single class, so that each Class B Subordinated Unit will be entitled to one vote on each matter with respect to which such Class B Subordinated Unit is entitled to be voted; and (ii) each reference in the Partnership Agreement to a vote of holders of Subordinated Units shall be deemed to be a reference to the holders of Subordinated Units and Class B Subordinated Units. After the Subordination Period (i) the Class B Subordinated Units will have such voting rights pursuant to the Partnership Agreement as such Class B Subordinated Units would have if they were Subordinated Units that were then outstanding and the Subordination Period had not ended; and (ii) each Class B Subordinated Unit will be entitled to one vote on each matter with respect to which such Class B Subordinated Unit is entitled to be voted.

D. The Class B Subordinated Units will be evidenced by certificates in such form as the General Partner may approve and, subject to (i) the restrictions specified in the Contribution Agreement, dated as of June 15, 2000, as amended, among the Partnership, U.S. Propane, L.P. and Heritage Operating, L.P., or the Subscription Agreement, dated as of June 15, 2000, as amended, among the Partnership and certain of the stockholders of Heritage Holdings, Inc., as the case may be, and (ii) the satisfaction of any applicable legal and regulatory requirements, may be assigned or transferred in a manner identical to the assignment and transfer of other Units; and the General Partner will act as registrar and transfer agent for the Class B Subordinated Units.

E. Notwithstanding any provision to the contrary set forth in the Partnership Agreement, the General Partner may not cause the Partnership to purchase Class B Subordinated Units during the Subordination Period.

F. Except as otherwise provided in this Amendment and unless the context otherwise requires, the Class B Subordinated Units and the Subordinated Units shall be considered as a single class of Units, each Class B Subordinated Unit shall be treated in a manner that is identical, in all respects, to each Subordinated Unit, and each reference in the Partnership Agreement to Subordinated Units shall also be deemed to be a reference to Class B Subordinated Units; provided, however, that notwithstanding the conversion of the Subordinated Units into Common Units as provided in Section 5.8 of the Partnership Agreement, and after the end of the Subordination Period and until the Class B Subordinated Units shall have been converted as provided herein, each Class B Subordinated Unit shall, except as

otherwise provided in this Amendment and unless the context otherwise requires, be treated in all respects as if such Class B Subordinated Unit were a Subordinated Unit and the end of the Subordination Period had not occurred and each reference in the Partnership Agreement to Subordinated Units shall be deemed to be a reference to the Class B Subordinated Units.

SECTION 2. VOTE OF HOLDERS OF PARTNERSHIP SECURITIES AFTER ISSUANCE OF CLASS B SUBORDINATED UNITS. The Partnership shall, as promptly as practicable following the issuance of any Class B Subordinated Units, take such actions as may be necessary or appropriate to submit to a vote or consent of its securityholders the approval of a change in the terms of the Class B Subordinated Units to provide that each Class B Subordinated Unit is convertible into one Common Unit (subject to appropriate adjustment in the event of any split-up, combination or similar event affecting the Common Units), effective upon approval of the issuance of additional Common Units in accordance with the following sentence. The vote or consent required for such approval will be the requisite vote required under the Partnership Agreement and under New York Stock Exchange rules or staff interpretations for listing of the Common Units that would be issued upon any such conversion. Upon receipt of the required vote or consent, the terms of the Class B Subordinated Units will be changed, automatically and without further action, so that each Class B Subordinated Unit is converted into one Common Unit (subject to appropriate adjustment in the event of any split-up, combination or similar event affecting the Common Units).

SECTION 3. AMENDMENT OF TERMS OF CLASS B SUBORDINATED UNITS IN CERTAIN EVENTS. If the Partnership's securityholders do not approve a change in the terms of the Class B Subordinated Units to provide that they are convertible as provided in Section 2 hereof by the requisite vote on or before January 7, 2001, then, effective as of the next succeeding day, Section 1.A. hereof will be deleted and replaced in its entirety, automatically and without further action, with the following:

"A. Prior to the conversion of the Class B Subordinated Units as provided in Section 4 or Section 5 hereof:

(i) all allocations of items of Partnership income, gain, loss, deduction and credit shall be allocated to the Class B Subordinated Units based on 115% of that which is allocated to the Subordinated Units, so that the amount thereof allocated to each Class B Subordinated Unit will be 115% of the amount thereof allocated to each Subordinated Unit (or, if the Subordination Period has ended, each Common Unit, except that the allocations to Class B Subordinated Units shall have the same order of priority relative to allocations on the Common Units as if such Class B Subordinated Units were Subordinated Units that were then outstanding and the Subordination Period had not ended); and

(ii) the Class B Subordinated Units shall have the right to share in Partnership distributions based on 115% of the amount of any Partnership distribution to each Subordinated Unit, so that the amount of any Partnership distribution to each Class B Subordinated Unit will equal 115% of the

amount of such distribution to each Subordinated Unit (or, if the Subordination Period has ended, each Common Unit, except that the right of holders of Class B Subordinated Units to receive distributions shall have the same order of priority relative to distributions on the Common Units as if such Class B Subordinated Units were Subordinated Units that were then outstanding and the Subordination Period had not ended); and

(iii) the Class B Subordinated Units shall have rights upon dissolution and liquidation of the Partnership, including the right to share in any liquidating distributions, that are based on 115% of the rights of the Subordinated Units, so that the amount of any liquidating distribution to each Class B Subordinated Unit will equal 115% of the amount of such distribution to each Subordinated Unit (or, if the Subordination Period has ended, each Common Unit, except that the rights of the Class B Subordinated Units upon dissolution and liquidation of the Partnership shall have the same order of priority relative to the rights of the Common Units as if such Class B Subordinated Units were Subordinated Units that were then outstanding and the Subordination Period had not ended)."

SECTION 4. VOTE OF HOLDERS OF PARTNERSHIP SECURITIES AFTER END OF SUBORDINATION PERIOD. If the Partnership's securityholders have not approved a change in the terms of the Class B Subordinated Units to provide that they are convertible as provided in Section 2 hereof by the requisite vote on or before the end of the Subordination Period, then, as promptly as practicable following the date the Subordination Period ends, the Partnership shall take such actions as may be necessary or appropriate to submit to a vote or consent of its securityholders the approval of a change in the terms of the Class B Subordinated Units to provide that each Class B Subordinated Unit is convertible into one Common Unit, effective upon approval of the issuance of additional Common Units in accordance with the following sentence. The vote or consent required for such approval will be the requisite vote required under the Partnership Agreement, as then in effect, and under New York Stock Exchange rules or staff interpretations for listing of the Common Units that would be issued upon any such conversion. Upon receipt of the required vote or consent, the terms of the Class B Subordinated Units will be changed, automatically and without further action, so that each Class B Subordinated Unit is converted into one Common Unit (subject to appropriate adjustment in the event of any split-up, combination or similar event affecting the Common Units). Concurrently with the distribution made in accordance with Section 6.3(a) of the Partnership Agreement in respect of Available Cash with respect to the Quarter in which the conversion of the Class B Subordinated Units is effected in accordance with the preceding sentence, an amount of cash equal to the amount of the distribution calculated in accordance with Section 3.A(ii) above shall be paid to each holder of record of the Class B Subordinated Units as of the effective date of such conversion, with the amount of such distribution to be equal to the product of (a) 15% of the amount to be distributed in respect of such Quarter to each Subordinated Unit (or, if the Subordination Period has ended on or prior to the first day of such Quarter, to each Common Unit) times (b) a fraction, of which (i) the numerator is the number of days in such Quarter up to but excluding the date of such conversion, and (ii) the denominator is the total number of days in such Quarter (the foregoing amount being referred to as an "Excess Payment"). For the taxable year in which an Excess Payment is made, each holder of a Class B Subordinated Unit shall be allocated items of gross

income with respect to such taxable year in an amount equal to the Excess Payment distributed to it.

SECTION 5. CHANGE OF NEW YORK STOCK EXCHANGE RULES OR INTERPRETATIONS. If at any time (i) the rules of the New York Stock Exchange or the New York Stock Exchange staff interpretations of such rules are changed, or (ii) facts and circumstances arise so that no vote or consent of securityholders of the Partnership is required as a condition to the listing of the Common Units that would be issued upon any conversion of any Class B Subordinated Units into Common Units as provided in Section 2 or Section 4, the terms of such Class B Subordinated Units will be changed so that each such Class B Subordinated Unit is converted (without further action or any vote of any securityholders of the Partnership) into one Common Unit (subject to appropriate adjustment in the event of any split-up, combination or similar event affecting the Common Units). If such conversion is effected after Section 3 has become effective with respect to the Class B Subordinated Units, the terms of the final sentence of Section 4 shall also apply with respect to the Quarter in which the conversion of any Class B Subordinated Units is effected in accordance with the preceding sentence.

SECTION 6. ESTABLISHMENT OF TERMS OF CLASS C UNITS; DISTRIBUTION OF DISTRIBUTABLE LITIGATION PROCEEDS. There is hereby created a series of Units to be designated as "Class C Units," consisting of a total of 1,000,000 Class C Units. The Class C Units will be issued to the General Partner in conversion of that portion of its Incentive Distribution Rights that is entitled to receive any distribution made by the Partnership attributable to the net amount received by the Partnership in connection with the settlement, judgment, award or other final nonappealable resolution (the "Resolution") of that certain litigation between the Partnership and the Operating Partnership, as plaintiffs, and SCANA Corporation, as defendant, and filed in the County of Hampton, State of South Carolina, under cause number 99-CP-25-441 (the "Litigation"). The Class C Units will have a zero initial Capital Account balance. The following other terms and conditions will apply to the Litigation and the Class C Units:

A. Decisions Regarding the Litigation. All decisions of the General Partner relating to the Litigation, including the strategy utilized in seeking a Resolution, shall be determined by a special committee of the board of directors of the General Partner consisting of one or more directors, a majority of whom are independent (as defined in the rules of the New York Stock Exchange) (the "Litigation Committee").

B. Determination of Distributable Litigation Proceeds after Resolution of the Litigation. As soon as reasonably practicable after the time, if any, that the Partnership receives a payment in cash (or the final payment if more than one such payment is received or expected to be received) as a result of a Resolution of the Litigation, the General Partner, acting by and through the Litigation Committee, shall determine the aggregate net amount of such proceeds distributable by the Partnership (the "Distributable Litigation Proceeds") by deducting from the amount or amounts received by the Partnership all costs and expenses, including attorneys' fees, previously incurred by the Partnership, the Operating Partnership and/or the General Partner in connection with the Litigation

and such cash reserves as are necessary or appropriate to provide for Operating Expenditures, all as determined by the Litigation Committee in its sole discretion.

C. Distribution of Distributable Litigation Proceeds. After such time as the aggregate Distributable Litigation Proceeds have been determined, the Litigation Committee shall determine the time at which such Distributable Litigation Proceeds shall be distributed to the Partners and the amount of any partial distributions if the Litigation Committee elects to distribute any of the Distributable Litigation Proceeds. Until such time as the Litigation Committee has determined to make a distribution of Distributable Litigation Proceeds, none of the Distributable Litigation Proceeds shall be deemed to be Available Cash. At such time as the Litigation Committee has determined to make a distribution of any Distributable Litigation Proceeds, the amount of such distribution shall be deemed to be Available Cash on such date and shall be distributed to the Partners as provided in Section 6.4(a) or Section 6.4(b), as the case may be, after all other distributions of Available Cash to be made on such date shall have been made, provided, however, that any such amount otherwise distributable to the holders of Incentive Distribution Rights as provided in Section 6.4(a)(v), (vi) or (vii), Section 6.4(b)(iii), (iv) or (v) or Section 12.4, as the case may be, shall instead be distributed to the holders of Class C Units, Pro Rata.

D. Allocation of Income and Loss. Each holder of Class C Units receiving a distribution of cash as provided above in any taxable year of the Partnership shall be allocated items of gross income with respect to such taxable year in an amount equal to the cash so distributed to such holder. The Class C Units will not be allocated any other items of income, gain, loss, deduction or credit.

E. Rights Upon Liquidation. The Class C Units will have no rights to share in any Partnership assets or distributions upon dissolution and liquidation of the Partnership, except to the extent that any such distributions constitute Distributable Litigation Proceeds.

F. No Conversion. The Class C Units will not have the privilege of conversion into any other Unit.

G. No Voting Rights. The Class C Units will not have any voting rights except to the extent that the Delaware Act gives the Class C Units a vote as a class on any matter. If any vote of the Class C Units is required with respect to any matter, each Class C Unit will be entitled to one vote on such matter.

SECTION 7. RATIFICATION OF PARTNERSHIP AGREEMENT. Except as expressly modified and amended herein, all of the terms and conditions of the Partnership Agreement shall remain in full force and effect.

SECTION 8. GOVERNING LAW. This Amendment will be governed by and construed in accordance with the laws of the State of Delaware.

IN WITNESS WHEREOF, this Amendment has been executed as of the date first written above.

GENERAL PARTNER:

HERITAGE HOLDINGS, INC.

By: ----------

Name: ----------

Title: ----------

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as limited partners of the Partnership, pursuant to Powers of Attorney now and hereafter executed in favor of, and granted and delivered to, the General Partner.

By: Heritage Holdings, Inc., General Partner, as attorney-in-fact for all Limited Partners pursuant to the Powers of Attorney granted pursuant to Section 2.6 of the Partnership Agreement.

By: ----------

Name: ----------

Title: ----------

EXHIBIT 10.1.3

THIRD AMENDMENT TO
FIRST AMENDED AND RESTATED CREDIT AGREEMENT

THIS THIRD AMENDMENT TO FIRST AMENDED AND RESTATED CREDIT AGREEMENT, dated effective as of August 10, 2000 (the "Third Amendment"), is entered into between and among HERITAGE OPERATING, L.P., a Delaware limited partnership (the "Borrower") and BANK OF OKLAHOMA, NATIONAL ASSOCIATION ("BOk"), FIRSTAR BANK N.A. (formerly known as Mercantile Bank National Association) ("Firstar"), LOCAL OKLAHOMA BANK, N.A. ("Local") and HARRIS TRUST AND SAVINGS BANK ("Harris") (BOk, Firstar, Local and Harris, together with each other Person that becomes a Bank pursuant to Article XI of the Credit Agreement (hereinafter defined) collectively referred to herein as the "Banks"), BOk, as administrative agent for the Banks (in such capacity, the "Administrative Agent") and Firstar, as co-agent for the Banks (in such capacity, the "Co-Agent").

WHEREAS, the Borrower, the Banks (other than Harris), the Administrative Agent and the Co-Agent entered into that certain First Amended and Restated Credit Agreement dated as of May 31, 1999 (the "Restated Credit Agreement"), as subsequently amended by that certain First Amendment to First Amended and Restated Credit Agreement dated as of October 15, 1999 (the "First Amendment"), and by that certain Second Amendment to First Amended and Restated Credit Agreement dated as of May 31, 2000 (the "Second Amendment") (the Restated Credit Agreement, together with the First Amendment and the Second Amendment and all such other and further amendments now or hereafter entered into, including without limitation this Third Amendment, are collectively referred to as the "Credit Agreement"); and

WHEREAS, the Restated Credit Agreement, as amended and modified by the First Amendment and Second Amendment, is sometimes referred to as the "Existing Credit Agreement"; and

WHEREAS, the Borrower intends to issue up to $250,000,000 Senior Secured Notes due August 10, 2020 under the August 10, 2000 Note Purchase Agreement ("2000 Note Purchase Agreement"), and has designated the 2000 Note Purchase Agreement as an Additional Parity Debt Agreement (as such term is defined in the Intercreditor and Agency Agreement dated as of June 28, 1996, as supplemented and amended); and

WHEREAS, the Borrower has requested the Banks (including Harris), the Administrative Agent and the Co-Agent to consent, subject to the satisfaction of certain conditions to effectiveness, to an amendment to the Credit Agreement to, among other purposes, (i) increase the maximum outstanding amount of the Working Capital Loan pursuant to the Working Capital Facility from $35,000,000.00 to $50,000,000.00 by virtue of Harris becoming one of the Banks with a Maximum Commitment Amount of $15,000,000.00 ($7,5000,000.00 maximum Acquisition Facility and $7,500,000.00 maximum Working Capital Facility); (ii) reallocate the remaining Banks' respective maximum Acquisition Facility and Working Capital Facility Amounts as specified in paragraph 1CC (Section 10.1 of the Credit Agreement) hereof below; and (iii) amend and modify other provisions of the Credit Agreement in conformity with the provisions of the 2000 Note Purchase Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. Amendments. The Credit Agreement shall be amended as set forth below:

A. Section 1.1. of the Credit Agreement is amended by deleting the definitions of "Bi-State", "Business", "Current Management" "Existing Credit Agreement", "General Partner", "HHI Acquisition Notes", "Note Purchase Agreement", "Private Placement Notes" and "PUHCA" and inserting in lieu thereof the following definitions in the appropriate alphabetical position:

"Bi-State" means Bi-State Propane, a California limited partnership.

"Business" means the business of wholesale and retail sales, storage, transportation and distribution of propane gas; providing repair, installation and maintenance services for propane heating systems; the sale and distribution of propane-related supplies and equipment (including appliances); the generation, transportation, sale, distribution and marketing relating thereto of propane-powered fuel cells, or the power generated therefrom and equipment related thereto; and the marketing of natural gas to any then current propane user in such areas where the Borrower operates from time to time, provided, that, with respect to such marketing, the Borrower shall act only as a marketing agent for a natural gas utility and shall receive a fee or other compensation for such services provided.

"Current Management" means not less than any two of the following: James E. Bertelsmeyer, R. C. Mills, H. Michael Krimbill, Brad Atkinson or Larry Dagley, together with the heirs of, and trusts for the benefit of family members controlled by, any such executive manager.

"Existing Credit Agreement" means the Credit Agreement dated as of June 25, 1996, as amended by the First Amendment to Credit Agreement dated as of July 25, 1996, the Second Amendment to Credit Agreement dated as of February 28, 1997, the Third Amendment to Credit Agreement dated as of September 30, 1997, the Fourth Amendment to Credit Agreement dated as of November 18, 1997, and the Fifth Amendment to Credit Agreement dated as of November 13, 1998, between and among Borrower, BOk, Mercantile and BankBoston, N.A., and BankBoston, N.A. as Administrative Agent, and Bok, Documentation Agent, as replaced and restated by the First Amended and Restated Credit Agreement dated as of May 31, 1999, between and among Borrower, BOk, Mercantile and Local, and BOk, as Administrative Agent, and Mercantile, as Co-Agent, as amended by the First Amendment to First Amended and Restated Credit Agreement dated as of October 31, 1999, between and among Borrower, BOk, Mercantile and Local, and BOk, as Administrative Agent, and Mercantile, as Co-Agent, and as amended by the Second Amendment to First Amended and Restated Credit Agreement dated as of May 31, 2000, between and among Borrower, BOk, Firstar and Local, and BOk, as Administrative Agent, and Firstar, as Co-Agent.

"General Partner" means Heritage (or, if applicable, U.S. Propane) in its capacity as General Partner of the Borrower.

"HHI Acquisition Notes" shall mean those certain promissory notes from Heritage payable to the order of the Banks as more particularly described and defined in the HHI Restated Letter Agreement among Heritage, the Banks and the Agents dated as of May 31, 1999, the Amendments to the HHI Restated Letter Agreement dated as of October 15, 1999, as of May 31, 2000, and as of August 10, 2000, and as further amended from time to time, and any credit agreement among Heritage, the Banks and the Agents as contemplated by paragraph (ii) of each HHI Restated Letter Agreement (collectively the "HHI Agreement").

"Note Purchase Agreement" means that certain (i) Note Purchase Agreement between Heritage, Borrower and the Note Purchasers named in the Purchaser Schedule annexed as Schedule I thereto dated as of June 25, 1996, as amended, (ii) Note Purchase Agreement between Borrower and the Note Purchasers named in the Initial Purchaser Schedule annexed thereto and each Subsequent Note Purchase Agreement entered into in connection therewith, dated as of November 19, 1997, as amended, and (iii) Note Purchase Agreement dated as of August 10 ,2000, between Borrower and the Note Purchasers named in the Initial Purchaser Schedule annexed thereto and each Supplemental Note Purchase Agreement entered into in connection therewith, as amended.

"Private Placement Notes" means (i) the $120,000,000 senior secured notes issued pursuant to the Note Purchase Agreement dated as of June 25, 1996, as amended, (ii) the $47,000,000 senior secured notes issued pursuant to the Note Purchase Agreement dated as of November 19, 1997, as amended, and (iii) up to $250,000,000 senior secured notes issued pursuant to the Note Purchase Agreement dated as of August 10, 2000, as amended, and any Supplemental Note Purchase Agreement.

"PUHCA" is defined in Section 8.19.

B. The definitions of "Harris" and "U.S. Propane" are added to Section 1.1 of the Credit Agreement in their appropriate alphabetical position:

"Harris" has the meaning ascribed thereto in the initial paragraph of the Third Amendment.

"U.S. Propane" shall mean U.S. Propane, L.P., a Delaware limited partnership.

C. The form of Exhibits 2.1.3 (Acquisition Loan Borrowing Request) and 2.1.4 (Acquisition Notes) annexed to the Existing Credit Agreement are replaced with the form of Exhibits 2.1.3 and 2.1.4 annexed to this Third Amendment.

D. Section 2.2.2 of the Existing Credit Agreement is amended by deleting "$35,000,000" and inserting in lieu thereof "$50,000,000". The form of Exhibits 2.2.3 (Working Capital Borrowing Request) and 2.2.4 (Working Capital Notes) annexed to the Existing Credit Agreement are replaced with the form of Exhibits 2.2.3 and 2.2.4 annexed to this Third Amendment.

E. Section 3.1 of the Existing Credit Agreement is amended by deleting "October 31, 1999" and inserting in lieu thereof "July 31, 2000".

F. Section 4.2.3(i) of the Existing Credit Agreement is amended by deleting the reference to "7B.7(iii)(c)(ii)(x)" and inserting in lieu thereof the reference to "7B.7(iii)(b)(ii)(x)".

G. Section 6.1(vii) of the Existing Credit Agreement is deleted in its entirety and replaced by the following:

(vii) Opinions of Borrower's Counsel. The Agents shall have received from Borrower's counsel, Doerner, Saunders, Daniel & Anderson, L.L.P., a favorable written closing opinion addressed to the Agents and the Banks with respect to the Credit Agreement, as amended by the Third Amendment, satisfactory in form and substance to the Administrative Agent's counsel including, without limitation, an opinion that all notices to or consents of the Collateral Agent or the Note Purchasers and all amendments to the Note Purchase Agreements and the Intercreditor Agreement as required by the amendments, modifications and transactions contemplated by the Third Amendment have been duly obtained and are in full force and effect.

H. Section 7A.1(ii) of the Existing Credit Agreement is deleted in its entirety and the following shall be substituted therefor:

(ii) as soon as practicable and in any event within 95 days after the end of each fiscal year, consolidated statements of income and cash flows and a consolidated statement of partners' capital (or stockholders' equity, as applicable) of the Borrower and its Subsidiaries for such year, and consolidated balance sheets of the Borrower and its Subsidiaries, as at the end of such year, setting forth in each case, in comparative form corresponding consolidated figures from the preceding annual audit, all in reasonable detail and reported on by Arthur Andersen LLP, or other independent public accountants of recognized national standing selected by the Borrower whose report shall be without limitation as to the scope of the audit (provided that such report shall not include with the scope of the audit the consolidating statements, if any, required by the final proviso of this clause (ii)); 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 Borrower and its Subsidiaries accounts for at least 95% of the net income of the Master Partnership for such fiscal year, and (y) all such statements required to be delivered pursuant to this clause (ii) with respect to the Borrower and its Subsidiaries are either included in such Form 10-K delivered separately by the Borrower together with such Form 10-K; and, provided further, however, that at any time the Total Assets of the Borrower and its Subsidiaries account for less than 85% of the Total Assets of the Master Partnership for any fiscal year, then the statements and balance sheet required to be delivered with respect to the Borrower and its Subsidiaries in this clause (ii) for such fiscal year shall be both consolidated and consolidating, and such consolidating statements shall be certified by an authorized financial officer of the Borrower as presenting fairly, in all material respects, the information contained therein, in accordance with GAAP (except for the absence of footnotes);

I. Section 7A.1(xi) of the Existing Credit Agreement is amended by (x) deleting the phrase "; and" at the end of such subsection and (y) inserting the following phrase at the end of such subsection:

; provided, however, that for so long as the Security Agreement remains in full force and effect, delivery by the Borrower to the Collateral Agent of the report specified in Section 5.1(g) of the Security Agreement shall be deemed to satisfy the requirements of this clause (xi); and

J. Section 7A of the Existing Credit Agreement is amended by inserting the following section immediately after Section 7A.16 thereof:

7A.17 General Partner. At such time as U.S. Propane shall be substituted for Heritage as the general partner of the Borrower, (i) no Default or Event of Default shall exist and be continuing before and after giving effect to such substitution, (ii) U.S. Propane shall assume in writing the obligations of Heritage under the Partnership Agreement, (iii) U.S. Propane shall not engage in any business or own any assets other than the ownership of general and/or limited partner interests in the General Partner and any activities incidental thereto, including, without limitation, cash management services for Heritage, the Borrower and its Subsidiaries and inter-company loans made to Heritage, the Borrower and its Subsidiaries in the ordinary course of business and (iv) immediately after giving effect to such substitution, no Material Adverse Effect shall exist.

K. Section 7B.1(ii) of the Existing Credit Agreement is deleted in its entirety and the following shall be substituted therefor:

(ii) Ratio of Consolidated Funded Indebtedness to Consolidated EBITDA. The Borrower will not permit the ratio as of the end of any fiscal

quarter of Consolidated Funded Indebtedness to Consolidated EBITDA to exceed 5.00 to 1.00;

L. Section 7B.2(ii) of the Existing Credit Agreement is amended by deleting the reference to "$35,000,000" and inserting in lieu thereof the following amount of "$50,000,000".

M. Section 7B.2(iii) of the Existing Credit Agreement is amended by (x) deleting each reference to "$3,000,000" and inserting in lieu thereof the following amount of "$10,000,000" and (y) deleting the reference to "50,000,000" and inserting in lieu thereof the following amount of $60,000,000".

N. Section 7B.2(v) of the Existing Credit Agreement is amended by deleting the reference to "$1,000,000" and inserting in lieu thereof the following amount of "$3,000,000".

O. Section 7B.2(viii) of the Existing Credit Agreement is deleted in its entirety and the following shall be substituted therefor:

(viii) M-P Energy Partnership and M-P Oils, Ltd. may become and remain liable with respect to Indebtedness in an aggregate principal amount not to exceed $10,000,000, and the Borrower may become and remain liable with respect to Guarantees of such Indebtedness of M-P Energy Partnership or M-P Oils, Ltd. and of Indebtedness of Bi-State, Heritage Energy Resources L.L.C., or any other Subsidiaries of the Borrower, provided that the aggregate amount of all Guarantees permitted by this clause (viii) shall not exceed $10,000,000;

P. Section 7B.3(viii) of the Existing Credit Agreement is deleted in its entirety and the following shall be substituted therefor:

(viii) Liens created after June 25, 1996 to secure all or any part of the purchase price, or to secure Indebtedness (other than Parity Debt) 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 or to secure obligations incurred in consideration of non-compete agreements ("Non-Compete Obligations") entered into in connection with any such acquisition, including an acquisition complying with clause (b)(y) of Section 7B.9; provided that (a) any such Lien shall be confined solely to the item or items of such property (or improvement thereon) 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 (and, in the case of any Lien securing Non-Compete Obligations, shall also be limited to (x) such items of property as acquired which are not included in the definition of Collateral and (y) such additional items of the property so acquired, having a total fair market value (as determined in good faith by the board of Directors of the General Partner) for the sum of (x) and (y) that is not more than the amount of the Non-Compete Obligations so secured), (b) such item or items of property so

acquired and subject to such Lien are not required to become part of the Collateral under the terms of the Security Agreement, (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 and 35% in the case of Non-Compete Obligations) of such property (as determined in good faith by the Board of Directors of the General Partner) at the time of acquisition thereof and (e) after giving effect to such Lien no Noncompliance Event, Default or Event of Default shall exist.

Q. Section 7B.3(xiii) of the Existing Credit Agreement is amended by deleting the reference to "$2,000,000" and inserting in lieu thereof the following amount of "$6,000,000".

R. Section 7B.4(i) of the Existing Credit Agreement is amended by deleting the reference to "$5,000,000" and inserting in lieu thereof the following amount of "$15,000,000".

S. Section 7B.5(i) of the Existing Credit Agreement is deleted in its entirety and the following shall be substituted therefor:

(i) the Borrower 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 by the Borrower to any Wholly-Owned Subsidiary incurred in the ordinary course of the Borrower's business as conducted through its Subsidiaries or to employees incurred in the ordinary course of business and consisting of advances to pay reimbursable expenditures, (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;

T. Section 7B.5(iii)(d)(B) of the Existing Credit Agreement is amended by inserting the work "unsecured" immediately preceding the phrase "debt obligations of which".

U. Clause (iii) of Section 7B.5(v) of the Existing Credit Agreement is amended by deleting the phrase "exceed $3,000,000" and inserting in lieu thereof the following phrase "of determination exceed 2% of Consolidated Net Tangible Assets, (provided that the aggregate amount of Investments permitted under this subclause (iii) shall not at any time exceed $12,500,00)".

V. Section 7B.7(i) of the Existing Credit Agreement is amended by inserting the phrase "and its Subsidiaries" immediately following the phrase "less than the Consolidated Net Worth of the Company".

W. Subsections (a), (b), (c) and (d) of Section 7B.7(iii) of the Existing Credit Agreement are deleted in their entireties and the following shall be substituted therefor:

(a) immediately after giving effect to such proposed disposition no Default or Event of Default shall exist and be continuing, satisfaction of this requirement to be set forth in reasonable detail in an Officer's Certificate delivered to each holder of a Note at the time of such transaction in the case of any Asset Sale involving assets that generate Consolidated EBITDA and involve consideration of $2,500,000 or more;

(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 limitation described in this clause (b) shall not apply to any sale or other disposition generating less than $2,500,000 of Net Proceeds;

(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 date of issue of the Initial Note under the Note Purchase Agreement dated as of August 10, 2000 through the date of such disposition does not exceed $20,000,000; 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 7B.7 (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 Notes pursuant to Section 4.2.3 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 7B.2(ii) or that by its terms does not permit such offer to be made); and

(d) such sale or other proposed disposition shall be for fair value and in the best interests of the Borrower, satisfaction of this requirement to be certified in an Officer's Certificate delivered to the Administrative Agent in the case of any Asset Sale involving assets that generate Consolidated EBITDA and involve consideration of $2,500,000 or more."

X. Section 7B.9(i)((b)(y) of the Existing Credit Agreement is amended by adding the phrase "or a Wholly-Owned Subsidiary of the General Partner" immediately following the phrase "Capital Stock of which was purchased by the General Partner".

Y. Section 8.2 of the Existing Credit Agreement is amended by inserting the phrase "(or, if applicable, U.S. Propane)" immediately following (x) the phrase "of the Borrower is Heritage" and (y) the phrase "partners other than Heritage".

Z. Section 8.3 of the Existing Credit Agreement is amended by inserting the phrase ", limited liability company" immediately following the phrase "in good standing as a foreign corporation".

AA. Section 8.13 of the Existing Credit Agreement is amended by deleting the references to "$2,000,000" and inserting in lieu thereof the following amount of "$5,000,000".

BB. Subsections (ii), (iii), (iv) and (v) of Section 8.14 of the Existing Credit Agreement are hereby deleted in their entireties and the following shall be substituted therefor:

(ii) (a) There is no Hazardous Substance present at any of the real property currently owned or leased by the Borrower, any of its Subsidiaries or Heritage except to the extent that such presence could not reasonably be expected to have a Material Adverse Effect, and (b) to the knowledge of the Borrower, any of its Subsidiaries or Heritage, there was no Hazardous Substance present at any of the real property formerly owned or leased by the Borrower, any of its Subsidiaries or Heritage during the period of ownership or leasing by the Borrower, any of its Subsidiaries or Heritage except to the extent that such presence could not be reasonably expected to have a Material Adverse Effect; 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 the Borrower, any of its Subsidiaries or Heritage, threatened release of a Hazardous Substance, or (y) any discharge or, to the knowledge of the Borrower, any of its Subsidiaries or Heritage 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, except to the extent that such release or discharge could not reasonably be expected to have a Material Adverse Effect.

(iii) None of the Borrower, any of its Subsidiaries or Heritage 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 the Borrower, any of its Subsidiaries or Heritage, and (b) to the knowledge of the Borrower, any of its Subsidiaries or Heritage, 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 the Borrower, any of its Subsidiaries or Heritage in violation of any Environmental Law, and (b) to the knowledge of the Borrower, any of its Subsidiaries or Heritage, 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.

CC. Article VIII of the Existing Credit Agreement is amended by inserting the following Section 8.21:

8.21 Intercreditor Agreement and Security Agreement. The Intercreditor Agreement is, to the best knowledge of the Borrower, in full force and effect. The Security Agreement is in full force and effect. Prior to the date hereof neither the Security Agreement nor, to the best knowledge of the Borrower, except for the Amendment Agreement to the Intercreditor Agreement dated as of October 15, 1999, the Intercreditor Agreement has been amended or supplemented. The Borrower has delivered to the Collateral Agent such Certificate and Stock Powers and such Financing Statements under the Uniform Commercial Code of such jurisdictions as are necessary to perfect the Liens created by the Security Agreement. The Financing Statements have been filed in all of such necessary jurisdictions to perfect the assignment of the security interest purported to be created by the Security Agreement.

DD. Section 9.1(iii) of the Existing Credit Agreement deleted in its entirety and the following shall be substituted therefor:

(iii) the Borrower or any Subsidiary of the Borrower (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 Heritage defaults in payment of principal of or interest on any indebtedness thereof, including without limitation, in any payment of principal of or interest on the credit facility issued under the HHI Agreement, as amended from time to time, and as evidenced by the HHI Acquisition Notes, or the Borrower, Heritage or any Subsidiary of the Borrower 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 Borrower, Heritage or any Subsidiary of the Borrower) shall occur and be continuing exceeds $5,000,000; provided, further, that no waiver, modification or amendment relating to any such a default (payment or other) or such a failure or other event with respect to any Parity Debt or agreement or instrument relating to any Parity Debt shall be effective for purposes of this clause (iii) if any consideration (other than the payment of reasonable attorney's fees) is given, directly or indirectly, by the Borrower, Heritage or any of the Borrower's Subsidiaries or Affiliates in respect thereof, unless substantially the same consideration is given to the holders of the Notes; or

EE. Section 9.1(xi) of the Existing Credit Agreement is amended by deleting the reference to "$2,000,000" and inserting in lieu thereof the following amount of "$5,000,000".

FF. Section 9.1(xv) of the Existing Credit Agreement is deleted in its entirety and the following shall be substituted therefor:

(xv) any of the events described in clauses (a), (b), (c) or (d) shall occur: (a) the General Partner shall be engaged in any business or activities other than those permitted by the Partnership Agreement as in effect from time to time in accordance with Section 7B.8, or (b) the General Partner or U.S. Propane ceases to be the sole general partner of the Borrower or the Master Partnership, or (c) the Specified Entities shall own, directly or indirectly through Wholly-Owned Subsidiaries, in the aggregate less than 51% of the Capital Stock of the General Partner, or (d) either Designated Current Manager shall, at any time during the Lock-Up Period applicable to such Designated Current Manager, own, directly or indirectly, less than 50% of the Common Units of the Master Partnership owned, directly or indirectly, by such Designated Current Manager immediately after giving effect to the Proposed Reorganization; or

GG. Section 10.1 of the Existing Credit Agreement is deleted in its entirety and replaced by the following:

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

Bank	Maximum Acquisition Loan Facility	Maximum Working Capital Facility	Maximum Commitments Amount	Percentage Interest
Bok	$22,500,000.00	$22,500,000.00	$ 45,000,000.00	45.0000%
Firstar	$12,500,000.00	$12,500,000.00	$ 25,000,000.00	25.0000%
Local	$ 7,500,000.00	$ 7,500,000.00	$ 15,000,000.00	15.0000%
Harris	$ 7,500,000.00	$ 7,500,000.00	$ 15,000,000.00	15.0000%
Total	$50,000,000.00	$50,000,000.00	$100,000,000.00	100.0000%

2. Existing Credit Agreement/Counterparts. All of the remaining terms, provisions and conditions of the Credit Agreement, except as otherwise expressly amended and modified by this Third Amendment, shall continue in full force and effect in all respects. This Third Amendment may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute a single Third Amendment. Delivery of an executed counterpart of a signature page to this Third Amendment by telecopier shall be as effective as delivery of a manually executed counterpart of this Third Amendment.

3. Intercreditor Agreement/Security Agreement. The Borrower confirms that it has reviewed and approved the terms of the Intercreditor Agreement, including without limitation, the setoff sharing provisions set forth in Section 13(c) thereof. The Borrower agrees that any setoffs shared under the terms of the Intercreditor Agreement with the Purchasers of the Private Placement Notes, to the extent of the portions so shared, will not be deemed pay down the Loan. The Borrower further confirms and represents to the Banks, the Administrative Agent and the Co-Agent that (i) the additional $15,000,000.00 available under the Commitments ($15,000,000.00 under the Working Capital Facility) is secured by the Security Agreement and (ii) any amendments to or modifications of the Security Agreement or the Intercreditor Agreement and any notice to or consent of the Collateral Agent required by virtue of the increased Commitments or other transactions contemplated by this Third Amendment have been duly and validly consummated, given or obtained, as the case may be, and that such amendments, modifications or consents remain in full force and effect.

4. Assignments/Addition of Harris Bank. Each of BOk, Firstar and Local shall have surrendered its Notes issued pursuant to the Existing Credit Agreement to BOk, as Administrative Agent, in exchange for the Notes in the respective face principal amounts pursuant to Section 10.1 hereof. Harris shall have paid to the Administrative Agent in immediately available funds an amount equal to its respective Percentage Interest in the outstanding principal balance of the Acquisition Loan and the Working Capital Loan, respectively, as evidenced by the Acquisition Note ($7,500,000.00) and the Working Capital Note ($7,500,000.00) being issued by the Borrower to the order of Harris pursuant to Harris' Percentage Interests in the respective Loans.

5. Further Assurances. The Borrower will, upon the request of the Administrative Agent from time to time, promptly execute, acknowledge and deliver, and file and record, all such instruments and notices, and take all such action, as the Administrative Agent deems necessary or advisable to carry out the intent and purposes of this Third Amendment and the Credit Agreement.

6. General. The Credit Agreement and all of the other Loan Documents are each confirmed as being in full force and effect. This Third Amendment, the Credit Agreement and the other Loan Documents referred to herein or therein constitute the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior and current understandings and agreements, whether written or oral, with respect to such subject matter. The invalidity or unenforceability of any provision hereof shall not affect the validity and enforceability of any other term or provision hereof. The headings in this Third Amendment are for convenience of reference only and shall not alter, limit or otherwise affect the meaning hereof. Each of this Third Amendment and the Credit Agreement is a Loan Document and may be executed in any number of counterparts, which together shall constitute one instrument, and shall bind and inure to the benefit of the parties and their respective successors and assigns including as such successors and assigns all holders of any Note. This Third Amendment shall be governed by and construed in accordance with the laws (other than the conflict of law rules) of the State of Oklahoma.

7. Conditions to Effectiveness. The effectiveness of this Third Amendment is subject to the satisfaction of the following conditions:

(a) the Required Banks under the Credit Agreement shall have consented to this Third Amendment as evidenced by their execution thereof;

(b) the requisite percentages of holders of Private Placement Notes shall have agreed to all amendments necessary to effect the issuance of the Notes under the Note Purchase Agreement dated as of August 10, 2000 and a copy thereof shall have been provided to the Administrative Agent. In the event the Borrower agrees that the holders of any Private Placement Notes shall be granted any additional or more restrictive financial covenant or negative covenants or events of default than are imposed on the Borrower under the Credit Agreement, as amended hereby, the Borrower agrees that the Banks shall also be granted such more restrictive financial covenant or negative covenants or events of defaults;

(c) the Administrative Agent shall have received evidence that (i) the Master Partnership shall have transferred to the Borrower the equity contribution, as contemplated by the Second Amendment, in the amount of at least $45,000,000 (the "Equity Contribution"), and (ii) the entire amount of such Equity Contribution shall have been applied to the payment of outstanding Indebtedness of the Borrower;

(d) counsel to the Banks shall have been paid fees and expenses incurred in connection with this Third Amendment; and

(e) materials reasonably satisfactory to the Administrative Agent shall have been delivered evidencing that the Proposed Reorganization, as defined in the Second Amendment, has become effective.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to First Amended and Restated Credit Agreement to be duly executed and delivered in Tulsa, Oklahoma, effective as of the 10th day of August, 2000, by the undersigned duly authorized officers thereof.

"Borrower"

HERITAGE OPERATING, L.P., a Delaware limited partnership

By: Heritage Holdings, Inc., a Delaware corporation, general partner

By: _____
H. Michael Krimbill
President

"Banks"

BANK OF OKLAHOMA, NATIONAL ASSOCIATION

By: ----------

Denise L. Maltby
Senior Vice President

FIRSTAR BANK N.A. (formerly known as
Mercantile Bank National Association)

By: ----------

Its: ----------

LOCAL OKLAHOMA BANK, N.A.

By:

Elisabeth F. Blue
Senior Vice President

HARRIS TRUST AND SAVINGS BANK

By:

Timothy E. Broccolo
Managing Director

"Administrative Agent"

BANK OF OKLAHOMA, NATIONAL ASSOCIATION

By: _____
Denise L. Maltby
Senior Vice President

"Co-Agent"

FIRSTAR BANK N.A. (formerly known as
Mercantile Bank National Association)

By:

Its:

EXHIBIT 2.1.3

ACQUISITION LOAN BORROWING REQUEST

Bank of Oklahoma, National Association
P.O. Box 2300
Bank of Oklahoma Tower
One Williams Center
Tulsa, Oklahoma 74192

(Administrative Agent for Bank of Oklahoma, National Association, Firstar Bank, N.A., Local Oklahoma Bank, N.A., and Harris Trust and Savings Bank) (collectively the "Banks")

Gentlemen:

Pursuant to the provisions of the First Amended and Restated Credit Agreement dated as of May 31, 1999, as amended or extended from time to time (collectively the "Credit Agreement"), among HERITAGE OPERATING, L.P. ("Borrower"), Bank of Oklahoma, as Administrative Agent for the Banks (therein described and defined), and the Banks, the Borrower hereby (i) confirms and ratifies the Collateral Agent's continuing security interest in the Collateral; (ii) applies to you for an Acquisition Loan on the Acquisition Facility in the amount of $_____ (Line 2 below); (iii) certifies that no Event of Default or Default under the Credit Agreement has occurred and is continuing as of the date hereof; (iv) represents and warrants to you that the representations, covenants and warranties set forth or referred to in the Credit Agreement are true and correct in all material respects on and as of this date unless such representation or warranty relate only to an earlier date; and (v) certifies to you the accuracy of the following information concerning the Acquisition Notes:

1.	Existing Acquisition Loan Credit (not to exceed $50,000,000 minus outstanding Indebtedness on the HHI Acquisition Notes)	$ ------
2.	Plus: Acquisition Loan requested	$ ------
	OR	
3.	Less: Additional Payment	$ ------
4.	New Acquisition Note Balance Line 1 plus Line 2 or less Line 3, but not to exceed $50,000,000	$ ------

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this _____ day of _____, _____.

HERITAGE OPERATING, L.P.
a Delaware limited Partnership

By: Heritage Holdings, Inc. a
Delaware corporation, general partner

By:

(Title)

EXHIBIT 2.2.3

WORKING CAPITAL BORROWING REQUEST

Bank of Oklahoma, National Association
P.O. Box 2300
Bank of Oklahoma Tower
One Williams Center
Tulsa, Oklahoma 74192

(Administrative Agent for Bank of Oklahoma, National Association, Firstar Bank, N.A., Local Oklahoma Bank, N.A., and Harris Trust and Savings Bank)
(collectively the "Banks")

Gentlemen:

Pursuant to the provisions of the First Amended and Restated Credit Agreement dated as of May 31, 1999, as amended or extended from time to time (collectively the "Credit Agreement"), among HERITAGE OPERATING, L.P. ("Borrower"), Bank of Oklahoma, as Administrative Agent for the Banks (therein described and defined) and the Banks, the Borrower hereby (i) confirms and ratifies the Collateral Agent's continuing security interest in the Collateral; (ii) applies to you for a Working Capital Loan on the Working Capital Facility in the amount of $_____ (Line 2 below); (iii) certifies that no Event of Default or Default under the Credit Agreement has occurred and is continuing as of the date hereof; (iv) represents and warrants to you that the representations, covenants and warranties set forth or referred to in the Credit Agreement are true and correct in all material respects on and as of this date; and (v) certifies to you the accuracy of the following information concerning the Working Capital Notes:

1. Existing Working Capital Facility Balance (not to exceed $50,000,000 minus outstanding principal balance of Section 7B.2(v) Indebtedness) $ -----

2. Plus: Working Capital Loan requested $ -----

OR

3. Less: Additional Payment $ -----

4. New Working Capital Notes Balance
Line 1 plus Line 2 or less Line 3, but not to exceed $50,000,000 minus sum of (x) Letter of Credit Exposure plus (y) outstanding principal balance of Section 7B.2(v) Indebtedness $ -----

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this _____ day of _____ , _____.

HERITAGE OPERATING, L.P.
a Delaware limited Partnership

By: Heritage Holdings, Inc. a
Delaware corporation, general partner

By:

(Title)

EXHIBIT 2.1.4

PROMISSORY NOTE
(ACQUISITION NOTE)

EXHIBIT 2.2.4

PROMISSORY NOTE
(WORKING CAPITAL NOTE)

EXHIBIT 10.2.6 AND 10.16.4

HERITAGE OPERATING, L.P.

FOURTH AMENDMENT AGREEMENT

Re: Note Purchase Agreement dated as of June 25, 1996
Note Purchase Agreement dated as of November 19, 1997

Dated as of
August 10, 2000

To each of the Holders named
in Schedule 1 to this Fourth
Amendment Agreement

Ladies and Gentlemen:

Reference is made to

(i) the Note Purchase Agreement dated as of June 25, 1996 (the "Original 1996 Agreement"), among Heritage Operating, L.P., a Delaware limited partnership (the "Company") and the Purchasers named in the Purchaser Schedule attached thereto, as amended by a letter agreement (the "Letter Agreement") dated July 25, 1996, a First Amendment Agreement (the "First Amendment Agreement") dated as of October 15, 1998, a Second Amendment Agreement (the "Second Amendment Agreement") dated as of September 1, 1999 and a Third Amendment Agreement (the "Third Amendment Agreement" dated as of May 31, 2000 (said Original 1996 Agreement, as amended by the Letter Agreement, the First Amendment Agreement, the Second Amendment Agreement and the Third Amendment Agreement, being hereinafter referred to as the "Outstanding 1996 Agreement") under and pursuant to which the Company issued, and there are presently outstanding, $120,000,000 aggregate principal amount of its 8.55% Senior Secured Notes due 2011 (the "1996 Notes"); and

(ii) the Note Purchase Agreement dated as of November 19, 1997 (the "Original 1997 Agreement"), among the Company and the Purchasers named in the Initial Purchaser Schedule attached thereto, as amended by the First Amendment Agreement dated as of October 15, 1998, a Second Amendment Agreement (the "Second Amendment Agreement") dated as of September 1, 1999 and a Third Amendment Agreement (the "Third Amendment Agreement" dated as of May 31, 2000 (said Original 1997 Agreement, as so amended by the First Amendment Agreement, the Second Amendment Agreement and the Third Amendment Agreement, being hereinafter referred to as the "Amended Original 1997 Agreement"), under and pursuant to which the Company issued, and there are presently outstanding, $12,000,000 aggregate principal amount of its 7.17% Series A Senior Secured Notes due November 19, 2009 (the "Series A Notes") and $20,000,000 aggregate principal amount of its 7.26% Series B Senior Secured Notes due November 19, 2012 (the "Series B Notes"), as supplemented by the

First Supplemental Note Purchase Agreement dated as of March 13, 1998 (the "First Supplemental Agreement") among the Company and the Purchasers named in the Supplemental Purchaser Schedule attached thereto, under and pursuant to which (a) the Company issued $5,000,000 aggregate principal amount of its 6.50% Series C Senior Secured Notes due March 13, 2007 (the "Series C Notes"), $4,285,714.29 of which are presently outstanding, and (b) the Company issued, and there are presently outstanding, (x) $5,000,000 aggregate principal amount of its 6.59% Series D Senior Secured Notes due March 13, 2010 (the "Series D Notes") and (y) $5,000,000 aggregate principal amount to its 6.67% Series E Senior Secured Notes due March 13, 2013 (the "Series E Notes").

The Amended Original 1997 Agreement as supplemented by the First Supplemental Agreement is hereinafter sometimes referred to as the "Outstanding 1997 Agreement." The Outstanding 1996 Agreement and the Outstanding 1997 Agreement are hereinafter sometimes collectively referred to as the "Outstanding Agreements". The 1996 Notes, Series A Notes, Series B Notes, Series C Notes, Series D Notes and Series E Notes are hereinafter sometimes collectively referred to as the "Outstanding Notes." Capitalized terms used herein without definition shall have the respective meanings assigned to such terms in the Outstanding Agreements.

The Company now desires to amend certain provisions of the Outstanding Agreements. You are the owner and holder of the Outstanding Notes set forth opposite your name on Schedule 1 hereto. The Company hereby requests that, from and after the satisfaction of each of the conditions to effectiveness set forth in Article IV below, said amendments shall be deemed to have been given and said Outstanding Agreements shall be amended in the respects, but only in the respects, hereinafter set forth.

ARTICLE I
AMENDMENTS TO OUTSTANDING AGREEMENTS

I-A. Section 4C(ii) of each of the Outstanding Agreements is hereby amended by deleting the reference to "clause (v)" and inserting in lieu thereof the reference to "clause (iv)".

I-B. Section 4D(vi) of each of the Outstanding Agreements is hereby amended by deleting the phrase "clause (x) of".

I-C. The lead-in paragraph of Section 5A of each of the Outstanding Agreements is hereby amended by deleting the phrase "in triplicate".

I-D. Section 5A(ii) of each of the Outstanding Agreements is hereby deleted in its entirely and the following shall be substituted therefor:

" (ii) as soon as practical and in any event within 95 days after the end of each fiscal year, consolidated statements of income and cash flows and a consolidated statement of partners' capital (or stockholders' equity, as applicable) of the Company and its Subsidiaries for such year, and consolidated balance sheets of

the Company and its Subsidiaries, as at the end of such year, setting forth in each case, in comparative form corresponding consolidated figures from the preceding annual audit, all in reasonable detail and 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 (provided that such report shall not include with the scope of the audit the consolidating statements, if any, required by the final proviso of this clause (ii)); 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 for such fiscal year, 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 or delivered separately by the Company together with such Form 10-K; and, provided further, however, that at any time the Total Assets of the Company and its Subsidiaries account for less than 85% of the Total Assets of the Master Partnership for any fiscal year, then the statements and balance sheet required to be delivered with respect to the Company and its Subsidiaries in this clause (ii) for such fiscal year shall be both consolidated and consolidating, and such consolidating statements shall be 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 for the absence of footnotes); "

I-E. Section 5A(xi) of each of the Outstanding Agreements is hereby amended by (x) deleting the phrase "; and" at the end of such subsection and (y) inserting the following phrase at the end of such subsection:

"; provided, however, that for so long as the Security Agreement remains in full force and effect, delivery by the Company to the Collateral Agent of the report specified in Section 5.1(g) of the Security Agreement shall be deemed to satisfy the requirements of this clause (xi); and".

I-F. Section 5 of each of the Outstanding Agreements is hereby amended by inserting the following section immediately after Section 5Q thereof:

"Section 5R. General Partner. At such time as U.S. Propane shall be substituted for Heritage as general partner of the Company, (i) no Default or Event of Default shall exist and be continuing before and after giving effect to such substitution, (ii) U.S. Propane shall assume in writing the obligations of Heritage under the Partnership Agreement, (iii) U.S. Propane shall not engage in any business or own any assets other than the ownership of general and/or limited partner interests in the Company and the Master Partnership and the ownership of interests in the General Partner and any

activities incidental thereto, including, without limitation, cash management services for Heritage, the Company and its Subsidiaries and inter-company loans made to Heritage, the Company and its Subsidiaries in the ordinary course of business and (iv) immediately after giving effect to such substitution, no Material Adverse Effect shall exist."

I-G. Section 6B(ii) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$35,000,000" and inserting in lieu thereof the following amount of "$50,000,000".

I-H. Section 6B(iii) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$3,000,000" and inserting in lieu thereof the following amount of "$10,000,000".

I-I Section 6B(v) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$1,000,000" and inserting in lieu thereof the following amount of "$3,000,000".

I-J. Section 6B(viii) of each of the Outstanding Agreements is hereby deleted in its entirely and the following shall be substituted therefor:

"(viii) M-P Energy Partnership and M-P Oils, Ltd. may become and remain liable with respect to Indebtedness in an aggregate principal amount not to exceed $10,000,000, and the Company may become and remain liable with respect to Guarantees of such Indebtedness of M-P Energy Partnership or M-P Oils, Ltd. and of Indebtedness of Bi-State, Heritage Energy Resources L.L.C., or any other Subsidiaries of the Company, provided that the aggregate amount of all Guarantees permitted by this clause (viii) shall not exceed $10,000,000;"

I-K. Section 6C(viii)(a)(x) of each of the Outstanding Agreements is hereby amended by deleting the phrase "of the character".

I-L. Section 6C(xiii) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$2,000,000" and inserting in lieu thereof the following amount of "$6,000,000".

I-M. Section 6D(i) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$5,000,000" and inserting in lieu thereof the following amount of "$15,000,000".

I-N. Section 6E(i) of each of the Outstanding Agreements is hereby deleted in its entirety and the following shall be substituted therefor:

"(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 by the Company to any Wholly-Owned Subsidiary incurred in the ordinary course of the Company's business as

conducted through its Subsidiaries or to employees incurred in the ordinary course of business and consisting of advances to pay reimbursable expenditures, (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;"

I-O. Section 6E(iii)(d)(1)(B) of each of the Outstanding Agreements is hereby amended by inserting the word "unsecured" immediately preceding the phrase "debt obligations of which".

I-P. Clause (iii) of the proviso to Section 6E(v) of each of the Outstanding Agreements is hereby amended by deleting the phrase "exceed $3,000,000" and inserting in lieu thereof the following phrase "of determination exceed 2% of Consolidated Net Tangible Assets (provided that the aggregate amount of Investments permitted under this subclause (iii) shall not at any time exceed $12,500,000)".

I-Q. Section 6G(i) of each of the Outstanding Agreements is hereby amended by inserting the phrase "and its Subsidiaries" immediately following the phrase "less than the Consolidated Net Worth of the Company" in clauses (b)(I)(x) and (c)(III)(x) thereof.

I-R. Subsections (a), (b), (c) and (d) of Section 6G(iii) of each of the Outstanding Agreements are hereby deleted in their entireties and the following shall be substituted therefor:

"(a) immediately after giving effect to such proposed disposition no Default or Event of Default shall exist and be continuing, satisfaction of this requirement to be set forth in reasonable detail in an Officer's Certificate delivered to each holder of a Note at the time of such transaction in the case of any Asset Sale involving assets that generate Consolidated EBITDA and involve consideration of $2,500,000 or more;

(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 limitation described in this clause (b) shall not apply to any sale or other disposition generating less than $2,500,000 of Net Proceeds;

(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 date of issue of the initial Note under this Agreement through the date of such disposition does not exceed $20,000,000; 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) such sale or other proposed disposition shall be for fair value and in the best interests of the Company, satisfaction of this requirement to be certified in an Officer's Certificate delivered to the Noteholders in the case of any Asset Sale involving assets that generate Consolidated EBITDA and involve consideration of $2,500,000 or more."

I-S. Section 6I(i)(b)(y) of each of the Outstanding Agreements is hereby amended by inserting the phrase "or a Wholly-Owned Subsidiary of the General Partner" immediately following the phrase "Capital Stock of which was purchased by the General Partner".

I-T. Section 7A(iii) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$2,000,000" and inserting in lieu thereof the following amount of "$5,000,000".

I-U. Section 7A(xi) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$2,000,000" and inserting in lieu thereof the following amount of "$5,000,000".

I-V. Section 7A(xv) of each of the Outstanding Agreements is hereby amended by (x) deleting the phrase "on the Closing Date" and inserting in lieu thereof the phrase "from time to time and in accordance with Section 6H" and (y) inserting the phrase "or U.S. Propane" immediately following the phrase ", or (b) Heritage".

I-W. Section 8B of each of the Outstanding Agreements is hereby amended by inserting the phrase "(or, if applicable, U.S. Propane)" immediately following (i) the phrase "of the Company is Heritage" and (ii) the phrase "partners other than Heritage".

I-X. Section 8C of each of the Outstanding Agreements is hereby amended by inserting the phrase ", limited liability company" immediately following the phrase "in good standing as a foreign corporation".

I-Y. Section 8N of each of the Outstanding Agreements is hereby amended by deleting the reference to "$2,000,000" and inserting in lieu thereof the following amount of "$5,000,000".

I-AA. Subsections (ii), (iii), (iv) and (v) of Section 8O of each of the outstanding Agreements are hereby deleted in their entireties and the following shall be substituted therefor:

"(ii) (a) There is no Hazardous Substance present at any of the real property currently owned or leased by the Company, any of its Subsidiaries or Heritage except to the extent that such presence could not reasonably be expected to have a Material Adverse Effect, and (b) to the knowledge of the Company, any of its Subsidiaries or Heritage, there was no Hazardous Substance present at any of the real property formerly owned or leased by the Company, any of its Subsidiaries or Heritage during the period of ownership or leasing by the Company, any of its Subsidiaries or Heritage except to the extent that such presence could not be reasonably expected to have a Material Adverse Effect; 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 the Company, any of its Subsidiaries or Heritage, threatened release of a Hazardous Substance, or (y) any discharge or, to the knowledge of the Company, any of its Subsidiaries or Heritage, 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, except to the extent that such release or discharge could not reasonably be expected to have a Material Adverse Effect.

(iii) None of the Company, any of its Subsidiaries or Heritage 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 the Company, any of its Subsidiaries or Heritage, and (b) to the knowledge of the Company, any of its Subsidiaries or Heritage, 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 the Company, any of its Subsidiaries or Heritage in violation of any Environmental Law, and (b) to the knowledge of the Company, any of its Subsidiaries or Heritage, 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."

I-BB. The definition of "Reinvestment Yield" set forth in Section 10A of each of the Outstanding Agreements is hereby amended by deleting the phrase ""678" on the Telerate" and inserting in lieu thereof the phrase ""PX1" on the Bloomberg Financial Markets" in each place it shall occur.

I-CC. Section 10B of each of the Outstanding Agreements is hereby amended by deleting the definitions of "Acquisition Facility," "Administrative Agent," "Bi-State," "Business," "Business Day," "Contracted Dollar," "Credit Agreement," "Current Management," "General Partner," "PUCHA" and "Revolving Working Capital Facility," contained therein and inserting in lieu thereof the following definitions in the appropriate alphabetical position:

""Acquisition Facility" shall mean the acquisition revolving credit facility of the Company provided for in the Credit Agreement for the purpose of financing acquisitions and improvements and repairs in the aggregate principal amount not to exceed $50,000,000."

""Administrative Agent" shall mean Bank of Oklahoma, National Association (as successor to The First National Bank of Boston), as administrative agent under the Credit Agreement, together with its successors as such Administrative Agent."

""Bi-State" shall mean Bi-State Propane, a California limited partnership."

""Business" shall mean the business of wholesale and retail sales, storage, transportation and distribution of propane gas, providing repair, installation and maintenance services for propane heating systems; the sale and distribution of propane-related supplies and equipment (including appliances); the generation, transportation, sale, distribution and marketing relating thereto of propane-powered fuel cells, or the power generated therefrom and equipment related thereto, and the marketing of natural gas to any then current propane user in such areas where the Company operates from time to time, provided, that, with respect to such marketing, the Company shall act only as a marketing agent for a natural gas utility and shall receive a fee or other compensation for such services provided."

""Business Day" shall mean any day other than a Saturday, a Sunday or a day on which commercial banks in New York City and Tulsa, Oklahoma are required or authorized to be closed."

""Contracted Dollar" shall mean the sum of: $50,000,000 (which is the aggregate principal amount permitted with respect to the Acquisition Facility and any Indebtedness incurred for any permitted purpose which replaces, extends, renews, refunds or refinances any such Indebtedness); and (b) $10,000,000 (which is the aggregate principal amount permitted with respect to Indebtedness owing to sellers in Asset Acquisitions (in addition to permitted Non-Compete Obligations))."

""Credit Agreement" shall mean the First Amended and Restated Credit Agreement dated as of May 31, 1999 among the Company, the agents listed therein 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 not less than any two of the following: James E. Bertelsmeyer, R. C. Mills, H. Michael Krimbill, Brad Atkinson or Larry Dagley, together with the heirs of, and trusts for the benefit of family members controlled by, any such executive manager."

"General Partner" shall mean Heritage (or, if applicable, U.S. Propane) in its capacity as general partner of the Company."

"PUHCA" shall have the meaning specified in Section 8T."

""Revolving Working Capital Facility" shall mean the $50,000,000 revolving credit facility of the Company provided for in the Credit Agreement for working capital and other general partnership purposes not to exceed $50,000,000 aggregate principal amount at any time outstanding."

I-BB. Section 10B of each of the Outstanding Agreements is hereby amended by inserting the definitions of "Contribution Agreement," "U.S. Propane" and "U.S. Propane Acquisition" in the appropriate alphabetical positions:

""Contribution Agreement" shall mean the Contribution Agreement, dated June 15, 2000, by and among U.S. Propane, the Company and the Master Partnership, as in effect on August 10, 2000."

""U.S. Propane" shall mean U.S. Propane L.P., a Delaware limited partnership."

""U.S. Propane Acquisition" shall mean the acquisition by the Company of certain Subsidiaries of U.S. Propane in accordance with the Contribution Agreement and the other transactions contemplated thereby."

I-CC. Each of the Outstanding Agreements is hereby amended to add the form of Schedule 8W attached to this Fourth Amendment Agreement.

ARTICLE II
AMENDMENTS TO OUTSTANDING 1996 AGREEMENT

II-A. Section 8 of the Outstanding 1996 Agreement is hereby amended by inserting the following sections immediately after Section 8U thereof:

"Section 8V. Certain Representations of Company and General Partner. The representations and warranties of the Company and the General Partner contained in the Financing Documents (other than this Agreement) and those otherwise made in writing by or on behalf of the Company or the General Partner pursuant to such Financing Documents were true and correct when made and shall continue to be true and correct (unless stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date).

Section 8W. Labor Matters. Except as set forth in Schedule 8W, (i) neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or other contracts with a labor union or labor organization; and (ii) to the knowledge of the Company, there is no (1) unfair labor practice, labor dispute (other than routine individual grievances) or labor arbitration proceeding pending or threatened against the Company or its Subsidiaries, which, in the aggregate, could reasonably be expected to have a Material Adverse Effect, (2) activity or proceeding by a labor union or representative thereof to organize any employees of the Company or any of its Subsidiaries, (3) lockout, strike, slowdown, work stoppage or threat thereof by or with respect to any such employees or (4) material dispute, grievance or litigation relating to labor matters involving any employee. Each of the Company and its Subsidiaries is in compliance with all Applicable Laws regarding employment, employment practices, terms and conditions of employment and wages, except for such noncompliance which, in the aggregate, could not reasonably be expected to have a Material Adverse Effect."

ARTICLE III
AMENDMENTS TO OUTSTANDING 1997 AGREEMENT

III-A. Section 4C(iv) of the Outstanding 1997 Agreement is hereby amended by inserting the phrase "or 4C(ii)" immediately following the phrase "pursuant to Section 4C(i)".

III-B. Subsection (x) of Section 4E of the Outstanding 1997 Agreement is hereby amended by deleting the phrase "Default nor an Event of Default" and inserting in lieu thereof the phrase "Default, an Event of Default nor a Debt Rating Event."

III-C. Subsection (y) of Section 4E of the Outstanding 1997 Agreement is hereby amended by deleting the phrase "Default or an Event of Default" and inserting in lieu thereof the phrase "Default, an Event of Default or a Debt Rating Event."

III-D. Section 5A(xi) of the Outstanding 1997 Agreement is hereby amended by deleting the reference to "3L" and inserting in lieu thereof the reference to "3K".

III-E. Section 6C(viii) of the Outstanding 1997 Agreement is hereby amended to (x) insert the phrase "after June 25, 1996" immediately following the phrase "(viii) Liens created" and (y) to delete the phrase "after the Initial Closing Date" immediately following the phrase "constructed by the Company or any of its Subsidiaries".

III-F. Section 8U of the Outstanding 1997 Agreement is hereby amended by inserting the phrase "except for the Amendment Agreement to the Intercreditor Agreement dated as of October 15, 1999," immediately following the phrase "to the best knowledge of the Company".

III-G. Section 8V of the Outstanding 1997 Agreement is hereby amended by inserting the phrase "and shall continue to be true and correct (unless stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date)" immediately following the phrase "were true and correct when made".

III-H. Section 8 of the Outstanding 1997 Agreement is hereby amended by adding the following new Section 8W immediately following Section 8V thereof:

> "Section 8W. Labor Matters. Except as set forth in Schedule 8W, (i) neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or other contracts with a labor union or labor organization; and (ii) to the knowledge of the Company, there is no (1) unfair labor practice, labor dispute (other than routine individual grievances) or labor arbitration proceeding pending or threatened against the Company or its Subsidiaries, which, in the aggregate, could reasonably be expected to have a Material Adverse Effect, (2) activity or proceeding by a labor union or representative thereof to organize any employees of the Company or any of its Subsidiaries, (3) lockout, strike, slowdown, work stoppage or threat thereof by or with respect to any such employees or (4) material dispute, grievance or litigation relating to labor matters involving any employee. Each of the Company and its Subsidiaries is in compliance with all Applicable Laws regarding employment, employment practices, terms and conditions of employment and wages, except for such noncompliance which, in the aggregate, could not reasonably be expected to have a Material Adverse Effect."

III-I. Section 10B of the Outstanding 1997 Agreement is hereby amended by inserting the definition of "Debt Rating Event" in the appropriate alphabetical position:

> ""Debt Rating Event" shall mean, as of any date of determination, (i) that the Notes or the 1996 Senior Secured Notes are rated less than BBB- by Fitch, Inc. (or comparably if the rating system is changed), and (ii) in the event

that Fitch, Inc. shall no longer rate the Notes or the 1996 Senior Secured Notes, that the Notes or the 1996 Senior Secured Notes are no longer rated "2" or better by the National Association of Insurance Commissioners (NAIC)."

III-J. The Outstanding 1997 Agreement is hereby amended to delete the form of Schedule 6C attached thereto and insert in lieu thereof the form of Schedule 6C attached to this Fourth Amendment.

ARTICLE IV
CONDITIONS OF EFFECTIVENESS

The effectiveness of this Fourth Amendment Agreement is subject to the satisfaction of the following conditions:

(a) the Required Holders under each of the Outstanding Agreements shall have consented to this Fourth Amendment Agreement as evidenced by their execution thereof; and

(b) the requisite percentage of lenders under the Credit Agreement (the "Lenders") shall have agreed to all amendments necessary to effect this Fourth Amendment Agreement and a copy thereof shall have been provided to the holders of the Outstanding Notes. In the event the Company agrees that the Lenders or holders of any of the Outstanding Notes shall be granted any additional or more restrictive financial or negative covenants or events of default than the financial or negative covenants or events of default that are imposed on the Company under the Outstanding Agreements, as amended hereby, the Company agrees that the holders of all other Outstanding Notes shall also be granted such more restrictive covenants or events of defaults; and

(c) materials reasonably satisfactory to the holders of the Outstanding Notes shall have been delivered evidencing that the Proposed Reorganization has become effective.

ARTICLE V
REPRESENTATIONS, WARRANTIES AND COVENANTS

In order to induce the holders of the Notes to enter into this Fourth Amendment Agreement, the Company represents and warrants that (a) no Default or Event of Default has occurred and is continuing; and (b) after giving effect to this Fourth Amendment Agreement, no Event of Default shall have occurred.

The Company hereby agrees and covenants that within 10 Business Days following the date that this Fourth Amendment Agreement becomes effective (i) that it shall pay to each of the holders of the Outstanding Notes, an amendment fee in an amount equal to .15% of the aggregate principal amount of the Outstanding Notes held by such holder (the "Amendment Fee") and a Responsible Officer of the Company shall have certified to each such holder that the Lenders have received no amendment fees or other consideration greater than the Amendment Fee and (ii) to the extent the Company has received a satisfactory statement, that it shall pay all

reasonable fees and expenses of counsel to the holders of the Outstanding Notes incurred in connection with this Fourth Amendment Agreement.

ARTICLE VI
MISCELLANEOUS

VI-A. If the foregoing is acceptable to you, kindly note your acceptance in the space provided below and upon satisfaction of the conditions to effectiveness set forth in Article IV above.

VI-B. This Fourth Amendment Agreement may be executed by the parties hereto individually, or in any combination of the parties hereto in several counterparts, all of which taken together shall constitute one and the same Fourth Amendment Agreement.

VI-C. Except as amended hereby, all of the representations, warranties, provisions, covenants, terms and conditions of the Outstanding Agreements shall remain unaltered and in full force and effect and the Outstanding Agreements, as amended hereby, are in all respects agreed to, ratified and confirmed by the Company. The Company acknowledges and agrees that the granting of amendments herein shall not be construed as establishing a course of conduct on the part of the holders of the Outstanding Notes upon which the Company may rely at any time in the future.

VI-D. Upon the effectiveness of this Fourth Amendment Agreement, each reference in each Outstanding Agreement and in other documents describing or referencing such Outstanding Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import referring to such Outstanding Agreement, shall mean and be a referenced to such Outstanding Agreement as amended hereby.

Very truly yours,

HERITAGE OPERATING, L.P.

By: Heritage Holdings, Inc., General Partner

By: ----------

Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

JOHN HANCOCK LIFE INSURANCE COMPANY

By:

Its:

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

By:

Its:

MELLON BANK, N.A., solely in its capacity as Trustee for the Long Term Investment Trust (as directed by John Hancock Financial Services, Inc.), and not in its individual capacity

By:

Its:

THE NORTHERN TRUST COMPANY, solely in its capacity as Trustee of the Lucent Technologies Inc. Master Pension Trust, and not in its individual capacity

By: John Hancock Life Insurance Company, as Investment Manager

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

MASSACHUSETTS MUTUAL LIFE
INSURANCE COMPANY

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PRINCIPAL LIFE INSURANCE COMPANY
(fka Principal Mutual Life Insurance Company)

By: Principal Capital Management, LLC,
its authorized signatory

By: ----------
Its: ----------

By: ----------
Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

NEW YORK LIFE INSURANCE COMPANY

By:

Its:

NEW YORK LIFE INSURANCE AND
ANNUITY CORPORATION

By: New York Life Insurance Company

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

KEYPORT LIFE INSURANCE COMPANY

By: Stein Roe & Farnham Incorporated, as Agent

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

J. ROMEO & CO.

By: ----------

Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PACIFIC LIFE INSURANCE COMPANY
(formerly Pacific Mutual Life Insurance Company)

By:

Its:

By:

Its:

PACIFIC LIFE INSURANCE COMPANY

By:

Its:

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY

By: ----------

Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

RELIASTAR LIFE INSURANCE COMPANY

By: ----------

Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PROTECTIVE LIFE INSURANCE COMPANY
(f/k/a Wisconsin National Life Insurance Company)

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

COLUMBIA UNIVERSAL LIFE INSURANCE COMPANY

By: ----------

Its: ----------

By: ----------

Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

ALLSTATE LIFE INSURANCE COMPANY

By: ----------

Its: ----------

By: ----------

Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

JEFFERSON PILOT FINANCIAL INSURANCE
COMPANY
(fka Chubb Life Insurance Company of America)

By:

Its:

SCHEDULE 1

NAME OF HOLDER OF OUTSTANDING NOTES	PRINCIPAL AMOUNT AND SERIES OF OUTSTANDING NOTES HELD AS OF AUGUST 10, 2000
John Hancock Life Insurance Company	$13,000,000 1996 Notes
John Hancock Life Insurance Company	$8,000,000 1996 Notes
John Hancock Variable Life Insurance Company	$1,000,000 1996 Notes
Mellon Bank, N.A., Trustee for the Long-Term Investment Trust (as directed by John Hancock Life Insurance Company)	$960,000 1996 Notes
The Northern Trust Company, as Trustee of the Lucent Technologies, Inc. Master Pension Trust	$2,040,000 1996 Notes
Massachusetts Mutual Life Insurance Company	$15,000,0000 1996 Notes
Principal Life Insurance Company (f/k/a Principal Mutual Life Insurance Company)	$15,000,000 1996 Notes
New York Life Insurance Company	$12,500,000 1996 Notes
Teachers Insurance and Annuity Association of America	$12,500,000 1996 Notes
Keyport Life Insurance Company	$10,000,0000 1996 Notes
J. Romeo & Co.	$3,500,0000 1996 Notes
J. Romeo & Co.	$4,000,0000 1996 Notes
Pacific Life Insurance Company (f/k/a Pacific Mutual Life Insurance Company)	$5,500,000 1996 Notes
Phoenix Home Life Mutual Insurance Company	$5,000,000 1996 Notes
ReliaStar Life Insurance Company	$5,000,000 1996 Notes
Columbia Universal Life Insurance Company	$2,000,000 1996 Notes

Allstate Life Insurance Company	$2,000,000	1996 Notes
Protective Life Insurance Company (f/k/a Wisconsin National Life Insurance Company)	$3,000,000	1996 Notes
Pacific Life Insurance Company	$12,000,000	Series A Notes
Pacific Life Insurance Company	$8,000,000	Series B Notes
New York Life Insurance Company	$5,000,000	Series B Notes
New York Life Insurance and Annuity Corporation	$7,000,000	Series B Notes
Allstate Life Insurance Company	$4,285,714.29	Series C Notes
Chubb Life Insurance Company of America	$5,000,000	Series D Notes
J. Romeo & Co.	$5,000,000	Series E Notes

SCHEDULE 6C

LIENS

None.

SCHEDULE 8W

LABOR MATTERS

1. Collective Bargaining Agreement between PNG Propane Company and Green's Fuel Company, Divisions of Piedmont Natural Gas Company, Inc. and Local 1902, International Brotherhood of Electrical Workers.

2. Labor Agreement between Peoples Gas and International Brotherhood of Electrical Workers, Local 2072, of Miami, Lakeland, Daytona Beach and Eustis, Florida.

Upon consummation of the U.S. Propane Acquisition, the Company believes that neither it nor Subsidiaries will be subject to the above referenced Agreements.

EXHIBIT 10.2.6 AND 10.16.4

HERITAGE OPERATING, L.P.

FOURTH AMENDMENT AGREEMENT

Re: Note Purchase Agreement dated as of June 25, 1996
Note Purchase Agreement dated as of November 19, 1997

Dated as of
August 10, 2000

To each of the Holders named
in Schedule 1 to this Fourth
Amendment Agreement

Ladies and Gentlemen:

Reference is made to

(i) the Note Purchase Agreement dated as of June 25, 1996 (the "Original 1996 Agreement"), among Heritage Operating, L.P., a Delaware limited partnership (the "Company") and the Purchasers named in the Purchaser Schedule attached thereto, as amended by a letter agreement (the "Letter Agreement") dated July 25, 1996, a First Amendment Agreement (the "First Amendment Agreement") dated as of October 15, 1998, a Second Amendment Agreement (the "Second Amendment Agreement") dated as of September 1, 1999 and a Third Amendment Agreement (the "Third Amendment Agreement" dated as of May 31, 2000 (said Original 1996 Agreement, as amended by the Letter Agreement, the First Amendment Agreement, the Second Amendment Agreement and the Third Amendment Agreement, being hereinafter referred to as the "Outstanding 1996 Agreement") under and pursuant to which the Company issued, and there are presently outstanding, $120,000,000 aggregate principal amount of its 8.55% Senior Secured Notes due 2011 (the "1996 Notes"); and

(ii) the Note Purchase Agreement dated as of November 19, 1997 (the "Original 1997 Agreement"), among the Company and the Purchasers named in the Initial Purchaser Schedule attached thereto, as amended by the First Amendment Agreement dated as of October 15, 1998, a Second Amendment Agreement (the "Second Amendment Agreement") dated as of September 1, 1999 and a Third Amendment Agreement (the "Third Amendment Agreement" dated as of May 31, 2000 (said Original 1997 Agreement, as so amended by the First Amendment Agreement, the Second Amendment Agreement and the Third Amendment Agreement, being hereinafter referred to as the "Amended Original 1997 Agreement"), under and pursuant to which the Company issued, and there are presently outstanding, $12,000,000 aggregate principal amount of its 7.17% Series A Senior Secured Notes due November 19, 2009 (the "Series A Notes") and $20,000,000 aggregate principal amount of its 7.26% Series B Senior Secured Notes due November 19, 2012 (the "Series B Notes"), as supplemented by the

First Supplemental Note Purchase Agreement dated as of March 13, 1998 (the "First Supplemental Agreement") among the Company and the Purchasers named in the Supplemental Purchaser Schedule attached thereto, under and pursuant to which (a) the Company issued $5,000,000 aggregate principal amount of its 6.50% Series C Senior Secured Notes due March 13, 2007 (the "Series C Notes"), $4,285,714.29 of which are presently outstanding, and (b) the Company issued, and there are presently outstanding, (x) $5,000,000 aggregate principal amount of its 6.59% Series D Senior Secured Notes due March 13, 2010 (the "Series D Notes") and (y) $5,000,000 aggregate principal amount to its 6.67% Series E Senior Secured Notes due March 13, 2013 (the "Series E Notes").

The Amended Original 1997 Agreement as supplemented by the First Supplemental Agreement is hereinafter sometimes referred to as the "Outstanding 1997 Agreement." The Outstanding 1996 Agreement and the Outstanding 1997 Agreement are hereinafter sometimes collectively referred to as the "Outstanding Agreements". The 1996 Notes, Series A Notes, Series B Notes, Series C Notes, Series D Notes and Series E Notes are hereinafter sometimes collectively referred to as the "Outstanding Notes." Capitalized terms used herein without definition shall have the respective meanings assigned to such terms in the Outstanding Agreements.

The Company now desires to amend certain provisions of the Outstanding Agreements. You are the owner and holder of the Outstanding Notes set forth opposite your name on Schedule 1 hereto. The Company hereby requests that, from and after the satisfaction of each of the conditions to effectiveness set forth in Article IV below, said amendments shall be deemed to have been given and said Outstanding Agreements shall be amended in the respects, but only in the respects, hereinafter set forth.

ARTICLE I
AMENDMENTS TO OUTSTANDING AGREEMENTS

I-A. Section 4C(ii) of each of the Outstanding Agreements is hereby amended by deleting the reference to "clause (v)" and inserting in lieu thereof the reference to "clause (iv)".

I-B. Section 4D(vi) of each of the Outstanding Agreements is hereby amended by deleting the phrase "clause (x) of".

I-C. The lead-in paragraph of Section 5A of each of the Outstanding Agreements is hereby amended by deleting the phrase "in triplicate".

I-D. Section 5A(ii) of each of the Outstanding Agreements is hereby deleted in its entirely and the following shall be substituted therefor:

" (ii) as soon as practical and in any event within 95 days after the end of each fiscal year, consolidated statements of income and cash flows and a consolidated statement of partners' capital (or stockholders' equity, as applicable) of the Company and its Subsidiaries for such year, and consolidated balance sheets of

the Company and its Subsidiaries, as at the end of such year, setting forth in each case, in comparative form corresponding consolidated figures from the preceding annual audit, all in reasonable detail and 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 (provided that such report shall not include with the scope of the audit the consolidating statements, if any, required by the final proviso of this clause (ii)); 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 for such fiscal year, 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 or delivered separately by the Company together with such Form 10-K; and, provided further, however, that at any time the Total Assets of the Company and its Subsidiaries account for less than 85% of the Total Assets of the Master Partnership for any fiscal year, then the statements and balance sheet required to be delivered with respect to the Company and its Subsidiaries in this clause (ii) for such fiscal year shall be both consolidated and consolidating, and such consolidating statements shall be 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 for the absence of footnotes); "

I-E. Section 5A(xi) of each of the Outstanding Agreements is hereby amended by (x) deleting the phrase "; and" at the end of such subsection and (y) inserting the following phrase at the end of such subsection:

"; provided, however, that for so long as the Security Agreement remains in full force and effect, delivery by the Company to the Collateral Agent of the report specified in Section 5.1(g) of the Security Agreement shall be deemed to satisfy the requirements of this clause (xi); and".

I-F. Section 5 of each of the Outstanding Agreements is hereby amended by inserting the following section immediately after Section 5Q thereof:

"Section 5R. General Partner. At such time as U.S. Propane shall be substituted for Heritage as general partner of the Company, (i) no Default or Event of Default shall exist and be continuing before and after giving effect to such substitution, (ii) U.S. Propane shall assume in writing the obligations of Heritage under the Partnership Agreement, (iii) U.S. Propane shall not engage in any business or own any assets other than the ownership of general and/or limited partner interests in the Company and the Master Partnership and the ownership of interests in the General Partner and any

activities incidental thereto, including, without limitation, cash management services for Heritage, the Company and its Subsidiaries and inter-company loans made to Heritage, the Company and its Subsidiaries in the ordinary course of business and (iv) immediately after giving effect to such substitution, no Material Adverse Effect shall exist."

I-G. Section 6B(ii) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$35,000,000" and inserting in lieu thereof the following amount of "$50,000,000".

I-H. Section 6B(iii) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$3,000,000" and inserting in lieu thereof the following amount of "$10,000,000".

I-I Section 6B(v) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$1,000,000" and inserting in lieu thereof the following amount of "$3,000,000".

I-J. Section 6B(viii) of each of the Outstanding Agreements is hereby deleted in its entirely and the following shall be substituted therefor:

"(viii) M-P Energy Partnership and M-P Oils, Ltd. may become and remain liable with respect to Indebtedness in an aggregate principal amount not to exceed $10,000,000, and the Company may become and remain liable with respect to Guarantees of such Indebtedness of M-P Energy Partnership or M-P Oils, Ltd. and of Indebtedness of Bi-State, Heritage Energy Resources L.L.C., or any other Subsidiaries of the Company, provided that the aggregate amount of all Guarantees permitted by this clause (viii) shall not exceed $10,000,000;"

I-K. Section 6C(viii)(a)(x) of each of the Outstanding Agreements is hereby amended by deleting the phrase "of the character".

I-L. Section 6C(xiii) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$2,000,000" and inserting in lieu thereof the following amount of "$6,000,000".

I-M. Section 6D(i) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$5,000,000" and inserting in lieu thereof the following amount of "$15,000,000".

I-N. Section 6E(i) of each of the Outstanding Agreements is hereby deleted in its entirety and the following shall be substituted therefor:

"(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 by the Company to any Wholly-Owned Subsidiary incurred in the ordinary course of the Company's business as

conducted through its Subsidiaries or to employees incurred in the ordinary course of business and consisting of advances to pay reimbursable expenditures, (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;"

I-O. Section 6E(iii)(d)(1)(B) of each of the Outstanding Agreements is hereby amended by inserting the word "unsecured" immediately preceding the phrase "debt obligations of which".

I-P. Clause (iii) of the proviso to Section 6E(v) of each of the Outstanding Agreements is hereby amended by deleting the phrase "exceed $3,000,000" and inserting in lieu thereof the following phrase "of determination exceed 2% of Consolidated Net Tangible Assets (provided that the aggregate amount of Investments permitted under this subclause (iii) shall not at any time exceed $12,500,000)".

I-Q. Section 6G(i) of each of the Outstanding Agreements is hereby amended by inserting the phrase "and its Subsidiaries" immediately following the phrase "less than the Consolidated Net Worth of the Company" in clauses (b)(I)(x) and (c)(III)(x) thereof.

I-R. Subsections (a), (b), (c) and (d) of Section 6G(iii) of each of the Outstanding Agreements are hereby deleted in their entireties and the following shall be substituted therefor:

"(a) immediately after giving effect to such proposed disposition no Default or Event of Default shall exist and be continuing, satisfaction of this requirement to be set forth in reasonable detail in an Officer's Certificate delivered to each holder of a Note at the time of such transaction in the case of any Asset Sale involving assets that generate Consolidated EBITDA and involve consideration of $2,500,000 or more;

(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 limitation described in this clause (b) shall not apply to any sale or other disposition generating less than $2,500,000 of Net Proceeds;

(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 date of issue of the initial Note under this Agreement through the date of such disposition does not exceed $20,000,000; 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) such sale or other proposed disposition shall be for fair value and in the best interests of the Company, satisfaction of this requirement to be certified in an Officer's Certificate delivered to the Noteholders in the case of any Asset Sale involving assets that generate Consolidated EBITDA and involve consideration of $2,500,000 or more."

I-S. Section 6I(i)(b)(y) of each of the Outstanding Agreements is hereby amended by inserting the phrase "or a Wholly-Owned Subsidiary of the General Partner" immediately following the phrase "Capital Stock of which was purchased by the General Partner".

I-T. Section 7A(iii) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$2,000,000" and inserting in lieu thereof the following amount of "$5,000,000".

I-U. Section 7A(xi) of each of the Outstanding Agreements is hereby amended by deleting the reference to "$2,000,000" and inserting in lieu thereof the following amount of "$5,000,000".

I-V. Section 7A(xv) of each of the Outstanding Agreements is hereby amended by (x) deleting the phrase "on the Closing Date" and inserting in lieu thereof the phrase "from time to time and in accordance with Section 6H" and (y) inserting the phrase "or U.S. Propane" immediately following the phrase ", or (b) Heritage".

I-W. Section 8B of each of the Outstanding Agreements is hereby amended by inserting the phrase "(or, if applicable, U.S. Propane)" immediately following (i) the phrase "of the Company is Heritage" and (ii) the phrase "partners other than Heritage".

I-X. Section 8C of each of the Outstanding Agreements is hereby amended by inserting the phrase ", limited liability company" immediately following the phrase "in good standing as a foreign corporation".

I-Y. Section 8N of each of the Outstanding Agreements is hereby amended by deleting the reference to "$2,000,000" and inserting in lieu thereof the following amount of "$5,000,000".

I-AA. Subsections (ii), (iii), (iv) and (v) of Section 8O of each of the outstanding Agreements are hereby deleted in their entireties and the following shall be substituted therefor:

"(ii) (a) There is no Hazardous Substance present at any of the real property currently owned or leased by the Company, any of its Subsidiaries or Heritage except to the extent that such presence could not reasonably be expected to have a Material Adverse Effect, and (b) to the knowledge of the Company, any of its Subsidiaries or Heritage, there was no Hazardous Substance present at any of the real property formerly owned or leased by the Company, any of its Subsidiaries or Heritage during the period of ownership or leasing by the Company, any of its Subsidiaries or Heritage except to the extent that such presence could not be reasonably expected to have a Material Adverse Effect; 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 the Company, any of its Subsidiaries or Heritage, threatened release of a Hazardous Substance, or (y) any discharge or, to the knowledge of the Company, any of its Subsidiaries or Heritage, 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, except to the extent that such release or discharge could not reasonably be expected to have a Material Adverse Effect.

(iii) None of the Company, any of its Subsidiaries or Heritage 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 the Company, any of its Subsidiaries or Heritage, and (b) to the knowledge of the Company, any of its Subsidiaries or Heritage, 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 the Company, any of its Subsidiaries or Heritage in violation of any Environmental Law, and (b) to the knowledge of the Company, any of its Subsidiaries or Heritage, 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."

I-BB. The definition of "Reinvestment Yield" set forth in Section 10A of each of the Outstanding Agreements is hereby amended by deleting the phrase ""678" on the Telerate" and inserting in lieu thereof the phrase ""PX1" on the Bloomberg Financial Markets" in each place it shall occur.

I-CC. Section 10B of each of the Outstanding Agreements is hereby amended by deleting the definitions of "Acquisition Facility," "Administrative Agent," "Bi-State," "Business," "Business Day," "Contracted Dollar," "Credit Agreement," "Current Management," "General Partner," "PUCHA" and "Revolving Working Capital Facility," contained therein and inserting in lieu thereof the following definitions in the appropriate alphabetical position:

""Acquisition Facility" shall mean the acquisition revolving credit facility of the Company provided for in the Credit Agreement for the purpose of financing acquisitions and improvements and repairs in the aggregate principal amount not to exceed $50,000,000."

""Administrative Agent" shall mean Bank of Oklahoma, National Association (as successor to The First National Bank of Boston), as administrative agent under the Credit Agreement, together with its successors as such Administrative Agent."

""Bi-State" shall mean Bi-State Propane, a California limited partnership."

""Business" shall mean the business of wholesale and retail sales, storage, transportation and distribution of propane gas, providing repair, installation and maintenance services for propane heating systems; the sale and distribution of propane-related supplies and equipment (including appliances); the generation, transportation, sale, distribution and marketing relating thereto of propane-powered fuel cells, or the power generated therefrom and equipment related thereto, and the marketing of natural gas to any then current propane user in such areas where the Company operates from time to time, provided, that, with respect to such marketing, the Company shall act only as a marketing agent for a natural gas utility and shall receive a fee or other compensation for such services provided."

""Business Day" shall mean any day other than a Saturday, a Sunday or a day on which commercial banks in New York City and Tulsa, Oklahoma are required or authorized to be closed."

""Contracted Dollar" shall mean the sum of: $50,000,000 (which is the aggregate principal amount permitted with respect to the Acquisition Facility and any Indebtedness incurred for any permitted purpose which replaces, extends, renews, refunds or refinances any such Indebtedness); and (b) $10,000,000 (which is the aggregate principal amount permitted with respect to Indebtedness owing to sellers in Asset Acquisitions (in addition to permitted Non-Compete Obligations))."

""Credit Agreement" shall mean the First Amended and Restated Credit Agreement dated as of May 31, 1999 among the Company, the agents listed therein 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 not less than any two of the following: James E. Bertelsmeyer, R. C. Mills, H. Michael Krimbill, Brad Atkinson or Larry Dagley, together with the heirs of, and trusts for the benefit of family members controlled by, any such executive manager."

"General Partner" shall mean Heritage (or, if applicable, U.S. Propane) in its capacity as general partner of the Company."

"PUHCA" shall have the meaning specified in Section 8T."

""Revolving Working Capital Facility" shall mean the $50,000,000 revolving credit facility of the Company provided for in the Credit Agreement for working capital and other general partnership purposes not to exceed $50,000,000 aggregate principal amount at any time outstanding."

I-BB. Section 10B of each of the Outstanding Agreements is hereby amended by inserting the definitions of "Contribution Agreement," "U.S. Propane" and "U.S. Propane Acquisition" in the appropriate alphabetical positions:

""Contribution Agreement" shall mean the Contribution Agreement, dated June 15, 2000, by and among U.S. Propane, the Company and the Master Partnership, as in effect on August 10, 2000."

""U.S. Propane" shall mean U.S. Propane L.P., a Delaware limited partnership."

""U.S. Propane Acquisition" shall mean the acquisition by the Company of certain Subsidiaries of U.S. Propane in accordance with the Contribution Agreement and the other transactions contemplated thereby."

I-CC. Each of the Outstanding Agreements is hereby amended to add the form of Schedule 8W attached to this Fourth Amendment Agreement.

ARTICLE II
AMENDMENTS TO OUTSTANDING 1996 AGREEMENT

II-A. Section 8 of the Outstanding 1996 Agreement is hereby amended by inserting the following sections immediately after Section 8U thereof:

"Section 8V. Certain Representations of Company and General Partner. The representations and warranties of the Company and the General Partner contained in the Financing Documents (other than this Agreement) and those otherwise made in writing by or on behalf of the Company or the General Partner pursuant to such Financing Documents were true and correct when made and shall continue to be true and correct (unless stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date).

Section 8W. Labor Matters. Except as set forth in Schedule 8W, (i) neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or other contracts with a labor union or labor organization; and (ii) to the knowledge of the Company, there is no (1) unfair labor practice, labor dispute (other than routine individual grievances) or labor arbitration proceeding pending or threatened against the Company or its Subsidiaries, which, in the aggregate, could reasonably be expected to have a Material Adverse Effect, (2) activity or proceeding by a labor union or representative thereof to organize any employees of the Company or any of its Subsidiaries, (3) lockout, strike, slowdown, work stoppage or threat thereof by or with respect to any such employees or (4) material dispute, grievance or litigation relating to labor matters involving any employee. Each of the Company and its Subsidiaries is in compliance with all Applicable Laws regarding employment, employment practices, terms and conditions of employment and wages, except for such noncompliance which, in the aggregate, could not reasonably be expected to have a Material Adverse Effect."

ARTICLE III
AMENDMENTS TO OUTSTANDING 1997 AGREEMENT

III-A. Section 4C(iv) of the Outstanding 1997 Agreement is hereby amended by inserting the phrase "or 4C(ii)" immediately following the phrase "pursuant to Section 4C(i)".

III-B. Subsection (x) of Section 4E of the Outstanding 1997 Agreement is hereby amended by deleting the phrase "Default nor an Event of Default" and inserting in lieu thereof the phrase "Default, an Event of Default nor a Debt Rating Event."

III-C. Subsection (y) of Section 4E of the Outstanding 1997 Agreement is hereby amended by deleting the phrase "Default or an Event of Default" and inserting in lieu thereof the phrase "Default, an Event of Default or a Debt Rating Event."

III-D. Section 5A(xi) of the Outstanding 1997 Agreement is hereby amended by deleting the reference to "3L" and inserting in lieu thereof the reference to "3K".

III-E. Section 6C(viii) of the Outstanding 1997 Agreement is hereby amended to (x) insert the phrase "after June 25, 1996" immediately following the phrase "(viii) Liens created" and (y) to delete the phrase "after the Initial Closing Date" immediately following the phrase "constructed by the Company or any of its Subsidiaries".

III-F. Section 8U of the Outstanding 1997 Agreement is hereby amended by inserting the phrase "except for the Amendment Agreement to the Intercreditor Agreement dated as of October 15, 1999," immediately following the phrase "to the best knowledge of the Company".

III-G. Section 8V of the Outstanding 1997 Agreement is hereby amended by inserting the phrase "and shall continue to be true and correct (unless stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date)" immediately following the phrase "were true and correct when made".

III-H. Section 8 of the Outstanding 1997 Agreement is hereby amended by adding the following new Section 8W immediately following Section 8V thereof:

> "Section 8W. Labor Matters. Except as set forth in Schedule 8W, (i) neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or other contracts with a labor union or labor organization; and (ii) to the knowledge of the Company, there is no (1) unfair labor practice, labor dispute (other than routine individual grievances) or labor arbitration proceeding pending or threatened against the Company or its Subsidiaries, which, in the aggregate, could reasonably be expected to have a Material Adverse Effect, (2) activity or proceeding by a labor union or representative thereof to organize any employees of the Company or any of its Subsidiaries, (3) lockout, strike, slowdown, work stoppage or threat thereof by or with respect to any such employees or (4) material dispute, grievance or litigation relating to labor matters involving any employee. Each of the Company and its Subsidiaries is in compliance with all Applicable Laws regarding employment, employment practices, terms and conditions of employment and wages, except for such noncompliance which, in the aggregate, could not reasonably be expected to have a Material Adverse Effect."

III-I. Section 10B of the Outstanding 1997 Agreement is hereby amended by inserting the definition of "Debt Rating Event" in the appropriate alphabetical position:

> ""Debt Rating Event" shall mean, as of any date of determination, (i) that the Notes or the 1996 Senior Secured Notes are rated less than BBB- by Fitch, Inc. (or comparably if the rating system is changed), and (ii) in the event

that Fitch, Inc. shall no longer rate the Notes or the 1996 Senior Secured Notes, that the Notes or the 1996 Senior Secured Notes are no longer rated "2" or better by the National Association of Insurance Commissioners (NAIC)."

III-J. The Outstanding 1997 Agreement is hereby amended to delete the form of Schedule 6C attached thereto and insert in lieu thereof the form of Schedule 6C attached to this Fourth Amendment.

ARTICLE IV
CONDITIONS OF EFFECTIVENESS

The effectiveness of this Fourth Amendment Agreement is subject to the satisfaction of the following conditions:

(a) the Required Holders under each of the Outstanding Agreements shall have consented to this Fourth Amendment Agreement as evidenced by their execution thereof; and

(b) the requisite percentage of lenders under the Credit Agreement (the "Lenders") shall have agreed to all amendments necessary to effect this Fourth Amendment Agreement and a copy thereof shall have been provided to the holders of the Outstanding Notes. In the event the Company agrees that the Lenders or holders of any of the Outstanding Notes shall be granted any additional or more restrictive financial or negative covenants or events of default than the financial or negative covenants or events of default that are imposed on the Company under the Outstanding Agreements, as amended hereby, the Company agrees that the holders of all other Outstanding Notes shall also be granted such more restrictive covenants or events of defaults; and

(c) materials reasonably satisfactory to the holders of the Outstanding Notes shall have been delivered evidencing that the Proposed Reorganization has become effective.

ARTICLE V
REPRESENTATIONS, WARRANTIES AND COVENANTS

In order to induce the holders of the Notes to enter into this Fourth Amendment Agreement, the Company represents and warrants that (a) no Default or Event of Default has occurred and is continuing; and (b) after giving effect to this Fourth Amendment Agreement, no Event of Default shall have occurred.

The Company hereby agrees and covenants that within 10 Business Days following the date that this Fourth Amendment Agreement becomes effective (i) that it shall pay to each of the holders of the Outstanding Notes, an amendment fee in an amount equal to .15% of the aggregate principal amount of the Outstanding Notes held by such holder (the "Amendment Fee") and a Responsible Officer of the Company shall have certified to each such holder that the Lenders have received no amendment fees or other consideration greater than the Amendment Fee and (ii) to the extent the Company has received a satisfactory statement, that it shall pay all

reasonable fees and expenses of counsel to the holders of the Outstanding Notes incurred in connection with this Fourth Amendment Agreement.

ARTICLE VI
MISCELLANEOUS

VI-A. If the foregoing is acceptable to you, kindly note your acceptance in the space provided below and upon satisfaction of the conditions to effectiveness set forth in Article IV above.

VI-B. This Fourth Amendment Agreement may be executed by the parties hereto individually, or in any combination of the parties hereto in several counterparts, all of which taken together shall constitute one and the same Fourth Amendment Agreement.

VI-C. Except as amended hereby, all of the representations, warranties, provisions, covenants, terms and conditions of the Outstanding Agreements shall remain unaltered and in full force and effect and the Outstanding Agreements, as amended hereby, are in all respects agreed to, ratified and confirmed by the Company. The Company acknowledges and agrees that the granting of amendments herein shall not be construed as establishing a course of conduct on the part of the holders of the Outstanding Notes upon which the Company may rely at any time in the future.

VI-D. Upon the effectiveness of this Fourth Amendment Agreement, each reference in each Outstanding Agreement and in other documents describing or referencing such Outstanding Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import referring to such Outstanding Agreement, shall mean and be a referenced to such Outstanding Agreement as amended hereby.

Very truly yours,

HERITAGE OPERATING, L.P.

By: Heritage Holdings, Inc., General Partner

By: ----------

Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

JOHN HANCOCK LIFE INSURANCE COMPANY

By:

Its:

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

By:

Its:

MELLON BANK, N.A., solely in its capacity as Trustee for the Long Term Investment Trust (as directed by John Hancock Financial Services, Inc.), and not in its individual capacity

By:

Its:

THE NORTHERN TRUST COMPANY, solely in its capacity as Trustee of the Lucent Technologies Inc. Master Pension Trust, and not in its individual capacity

By: John Hancock Life Insurance Company, as Investment Manager

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

MASSACHUSETTS MUTUAL LIFE
INSURANCE COMPANY

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PRINCIPAL LIFE INSURANCE COMPANY
(fka Principal Mutual Life Insurance Company)

By: Principal Capital Management, LLC,
its authorized signatory

By: ----------
Its: ----------

By: ----------
Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

NEW YORK LIFE INSURANCE COMPANY

By:

Its:

NEW YORK LIFE INSURANCE AND
ANNUITY CORPORATION

By: New York Life Insurance Company

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

KEYPORT LIFE INSURANCE COMPANY

By: Stein Roe & Farnham Incorporated, as Agent

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

J. ROMEO & CO.

By: ----------

Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PACIFIC LIFE INSURANCE COMPANY
(formerly Pacific Mutual Life Insurance Company)

By:

Its:

By:

Its:

PACIFIC LIFE INSURANCE COMPANY

By:

Its:

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY

By: ----------

Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

RELIASTAR LIFE INSURANCE COMPANY

By: ----------

Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

PROTECTIVE LIFE INSURANCE COMPANY
(f/k/a Wisconsin National Life Insurance Company)

By:

Its:

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

COLUMBIA UNIVERSAL LIFE INSURANCE COMPANY

By: ----------

Its: ----------

By: ----------

Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

ALLSTATE LIFE INSURANCE COMPANY

By: ----------

Its: ----------

By: ----------

Its: ----------

The foregoing Fourth Amendment Agreement and the amendments referred to therein are hereby accepted and agree to as of August 10, 2000, and the undersigned hereby confirms that on August 10, 2000 it held the aggregate principal amount of Outstanding Notes of the Company set forth on Schedule 1 hereto and that on the date of execution hereof it continues to hold such Outstanding Notes.

JEFFERSON PILOT FINANCIAL INSURANCE
COMPANY
(fka Chubb Life Insurance Company of America)

By:

Its:

SCHEDULE 1

NAME OF HOLDER OF OUTSTANDING NOTES	PRINCIPAL AMOUNT AND SERIES OF OUTSTANDING NOTES HELD AS OF AUGUST 10, 2000
John Hancock Life Insurance Company	$13,000,000 1996 Notes
John Hancock Life Insurance Company	$8,000,000 1996 Notes
John Hancock Variable Life Insurance Company	$1,000,000 1996 Notes
Mellon Bank, N.A., Trustee for the Long-Term Investment Trust (as directed by John Hancock Life Insurance Company)	$960,000 1996 Notes
The Northern Trust Company, as Trustee of the Lucent Technologies, Inc. Master Pension Trust	$2,040,000 1996 Notes
Massachusetts Mutual Life Insurance Company	$15,000,0000 1996 Notes
Principal Life Insurance Company (f/k/a Principal Mutual Life Insurance Company)	$15,000,000 1996 Notes
New York Life Insurance Company	$12,500,000 1996 Notes
Teachers Insurance and Annuity Association of America	$12,500,000 1996 Notes
Keyport Life Insurance Company	$10,000,0000 1996 Notes
J. Romeo & Co.	$3,500,0000 1996 Notes
J. Romeo & Co.	$4,000,0000 1996 Notes
Pacific Life Insurance Company (f/k/a Pacific Mutual Life Insurance Company)	$5,500,000 1996 Notes
Phoenix Home Life Mutual Insurance Company	$5,000,000 1996 Notes
ReliaStar Life Insurance Company	$5,000,000 1996 Notes
Columbia Universal Life Insurance Company	$2,000,000 1996 Notes

Allstate Life Insurance Company	$2,000,000	1996 Notes
Protective Life Insurance Company (f/k/a Wisconsin National Life Insurance Company)	$3,000,000	1996 Notes
Pacific Life Insurance Company	$12,000,000	Series A Notes
Pacific Life Insurance Company	$8,000,000	Series B Notes
New York Life Insurance Company	$5,000,000	Series B Notes
New York Life Insurance and Annuity Corporation	$7,000,000	Series B Notes
Allstate Life Insurance Company	$4,285,714.29	Series C Notes
Chubb Life Insurance Company of America	$5,000,000	Series D Notes
J. Romeo & Co.	$5,000,000	Series E Notes

SCHEDULE 6C

LIENS

None.

SCHEDULE 8W

LABOR MATTERS

1. Collective Bargaining Agreement between PNG Propane Company and Green's Fuel Company, Divisions of Piedmont Natural Gas Company, Inc. and Local 1902, International Brotherhood of Electrical Workers.

2. Labor Agreement between Peoples Gas and International Brotherhood of Electrical Workers, Local 2072, of Miami, Lakeland, Daytona Beach and Eustis, Florida.

Upon consummation of the U.S. Propane Acquisition, the Company believes that neither it nor Subsidiaries will be subject to the above referenced Agreements.

EXHIBIT 10.17

==========

CONTRIBUTION AGREEMENT

BY AND AMONG

U.S. PROPANE, L.P.

AND

HERITAGE OPERATING, L.P. AND HERITAGE PROPANE PARTNERS, L.P.

JUNE 15, 2000

==========

CONTRIBUTION AGREEMENT
EXECUTION COPY DATED JUNE 15, 2000

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EXHIBITS

CONTRIBUTION AGREEMENT

This Contribution Agreement (this "Agreement"), dated as of June 15, 2000, is entered into by and among the following:

1. U.S. Propane, L.P., a Delaware limited partnership ("LP"); and

2. Heritage Operating, L.P., a Delaware limited partnership ("Heritage OLP"), and Heritage Propane Partners, L.P., a Delaware limited partnership ("Heritage MLP").

AGREEMENT

The Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 CERTAIN DEFINED TERMS. As used in this Agreement, each capitalized term used herein but not defined has the meaning given to it in Exhibit 1.1.

1.2 CERTAIN ADDITIONAL DEFINED TERMS. In addition to such terms as are defined in Section 1.1, the following terms are used in this Agreement as defined in the Articles or Sections set forth opposite such terms:

DEFINED TERM	ARTICLE OR SECTION REFERENCE
Agreement	Preamble
Amendment No. 1	3.8
Ancillary Agreements	7.1(h)
Applicable Environmental Laws	3.20(a)
Cash Purchase Price	2.2(b)(i)
CERCLA	3.20(a)
Closing	Article 2
Closing Date	Article 2
Closing Price	2.5
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DEFINED TERM	ARTICLE OR SECTION REFERENCE
Exchange Act	3.1(a)
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Solid Waste	3.20(c)
Third Party Action	9.3(a)
Trademarks	6.11
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U.S. Propane Material Adverse Effect	4.9
U.S. Propane Plans	4.28(a)

1.3 CONSTRUCTION. Unless the context requires otherwise: (a) the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine, and neuter; (b) the term "include" or "includes" means "includes, without limitation," and "including" means "including, without limitation"; (c) references to Articles and Sections refer to Articles and Sections of this Agreement; (d) references to Exhibits and Schedules refer to the Exhibits and Schedules attached to this Agreement, which are made a part hereof for all purposes; (e) references to Laws refer to such Laws as they may be

amended from time to time, and references to particular provisions of a Law include any corresponding provisions of any succeeding Law; and (f) references to money refer to legal currency of the United States of America.

ARTICLE 2
CLOSING

The Closing of the transactions contemplated by this Article 2 (the "Closing") will take place at the offices of Andrews & Kurth L.L.P., Houston, Texas and will be effective as of 12:01 a.m., Houston, Texas Time, on the date that is three business days following the later of (a) the satisfaction of the conditions to Closing in Sections 7.1 and 7.2 and (b) the determination of the Average Price, or at such other time or place or on such other date as the Parties agree in writing (the "Closing Date"). Except for purposes of Sections 2.1 and 2.2, all Closing transactions will be deemed to have occurred simultaneously.

2.1 ACTIONS PRIOR TO THE CLOSING.

(a) Prior to or at the Closing, the LP agrees to effect the actions required under the Formation Agreement so that the LP will be the sole owner of the Contributed Interests.

(b) Prior to the Closing, Heritage MLP will issue the Class C Units (as defined in Section 2.1 of the Stock Purchase Agreement) to Heritage GP, which will distribute the Class C Units to the stockholders of Heritage GP or, at their direction, to FHS.

2.2 CONTRIBUTION OF CONTRIBUTED INTERESTS. At the Closing, and on the terms and subject to the conditions set forth in this Agreement, the appropriate Parties will effect the following actions to be taken by such Party:

(a) Heritage OLP shall borrow not less than $171.395 million from certain lenders and financial institutions (the "Debt Financing");

(b) The LP shall contribute, assign, transfer, deliver and convey (for purposes of this Section 2.2, "transfer") all the Contributed Interests to Heritage OLP in exchange for (i) the payment by Heritage OLP to the LP of the sum of $140.745 million in cash (the "Cash Purchase Price"), subject to adjustment as specified in Section 2.6 (as so adjusted, the "Final Cash Payment"), and (ii) the issuance by Heritage OLP to the LP of approximately $10.0 million in limited partner interests in Heritage OLP ("Heritage OLP Interests");

(c) The Debt Financing shall be made recourse to the LP;

(d) The LP shall redeem LP Interests with an aggregate redemption price of $14.547 million and in payment therefor shall distribute $8.864 million of cash to AGL

or its designee, $0.660 million of cash to Peoples or its designee and $5.023 million of cash to Piedmont;

(e) Using the remaining proceeds under the Debt Financing, Heritage OLP shall contribute cash to repay debt of the Contributed Subs, such debt consisting of total principal and interest of $30.650 million;

(f) The LP shall transfer its Heritage OLP Interests (other than a 1.0101% interest in Heritage OLP) to Heritage MLP in exchange for common units issued by Heritage MLP ("Common Units") determined in accordance with Section 2.3;

(g) After the LP's purchase of the capital stock of Heritage GP, the LP shall contribute an amount to Heritage GP as an additional capital contribution to maintain Heritage GP's general partner interests; Heritage GP, in turn, shall contribute a portion of this to Heritage OLP and a portion of this to Heritage MLP to maintain its general partner interests in those limited partnerships; Heritage MLP, in turn, shall contribute the same to Heritage OLP; and

(h) The Transferred Assets shall be valued, in the aggregate, at $181.395 million for all purposes, and such value shall be allocated among such assets in accordance with the appraisal by Valuation Research Corporation. No Party to this Agreement, nor any affiliate thereof, shall take any action, or fail to take any action, inconsistent with such allocations of value.

Payments to be made under Section 2.2(d) are based on assumed transaction costs of $5.0 million and will be adjusted pro rata to reflect the actual amount of transaction costs determined as of the Closing. Other dollar amounts will be adjusted, if necessary, in a manner consistent with the calculations in this Section 2.2, to reflect the final determination of Average Price and any changes (to the extent otherwise permitted under this Agreement) in the number of Common Units outstanding.

2.3 ISSUANCE OF CERTIFICATE FOR COMMON UNITS. In exchange for the contribution of the Heritage OLP Interests by the LP pursuant to Section 2.2(f), Heritage MLP shall issue to the LP a certificate representing Common Units, with the number of Common Units to be equal to the quotient (rounded to the nearest whole number) of $10,000,000 divided by the Average Price.

2.4 INSTRUMENTS OF CONVEYANCE. In order to effect the transfers of the Contributed Interests contemplated by Section 2.2 at the Closing, the LP, or one of the Affiliates of the LP, will execute and deliver to Heritage OLP one or more instruments of conveyance, dated the Closing Date, substantially in the form attached hereto as Exhibit 2.4 (the "Instruments of Conveyance"), that are sufficient to vest good title to the respective Contributed Interests, free and clear of all Encumbrances other than Permitted Encumbrances.

2.5 CLOSING PRICE. At the Closing, in exchange for the contribution of the Contributed Interests, Heritage OLP will pay the Cash Purchase Price (the "Closing Price") to the LP, by wire transfer of immediately available funds to an account furnished by the LP to Heritage OLP not later than three business days before Closing.

2.6 NET WORKING CAPITAL TRUE-UP.

(a) Within 60 days after the Closing Date, Heritage MLP shall determine the amount of the Net Working Capital included in the Contributed Subs and contributed to Heritage OLP by the LP as of the Closing Date, such determination to be made using the valuation methodology specified in Exhibit 2.6 ("Net Working Capital").

(b) Within 60 days after the Closing Date, Heritage MLP shall prepare an unaudited statement (the "Final Statement") of the Net Working Capital included with the Contributed Subs as of the close of business on the Closing Date, such Final Statement to be prepared in the following manner:

(i) Heritage MLP shall deliver to the LP the Final Statement, fairly presenting the Net Working Capital of each Contributed Sub, individually, and of the Contributed Subs, in aggregate, as of the Closing Date. The Final Statement shall be accompanied by a report setting forth (A) the Net Working Capital, in reasonable detail, that was included with each Contributed Sub, as reflected in the Final Statement, and (B) the amount of any adjustment to the Closing Price to be paid and by whom pursuant to Section 2.6(c) and the basis therefor. The principles of presentation in the Final Statement shall be the same as those of the Financial Statements.

(ii) Following the Closing, Heritage MLP, on the one hand, and the LP, on the other hand, shall deliver to each other and each other's authorized representatives, if any, full access at all reasonable times to the properties, books, records and personnel of the Contributed Subs relating to periods prior to the Closing Date for purposes of preparing, reviewing and resolving any disputes concerning the Final Statement. The LP shall have 60 days following delivery of the Final Statement during which to notify Heritage MLP of any dispute of any item contained in the Final Statement, which notice shall set forth in reasonable detail the basis for such dispute. If the LP fails to notify Heritage MLP of any such dispute within such 60-day period, the Final Statement shall be deemed to be accepted. If the LP shall so notify Heritage GP of any dispute, the LP and Heritage MLP shall cooperate in good faith to resolve such dispute as promptly as possible.

(iii) If Heritage MLP and the LP are unable to resolve any such dispute within 30 days of the LP's delivery of such notice (the "Resolution Period"), then all amounts remaining in dispute shall be submitted to such nationally recognized accounting firm as shall be reasonably acceptable to Heritage MLP and the LP (the "Independent Accounting Firm") within 10 days after the expiration of the

Resolution Period. Each party agrees to execute, if requested by the Independent Accounting Firm, a reasonable engagement letter. All fees and expenses relating to the work, if any, to be performed by the Independent Accounting Firm shall be borne equally by Heritage MLP and the LP. The Independent Accounting Firm shall act as an arbitrator to determine, based solely on presentations by Heritage MLP and the LP, and not by independent review, only those issues still in dispute and shall be limited to those adjustments, if any, that need be made for the Final Statement to comply with the standards set forth in this Section 2.6(b). The Independent Accounting Firm's determination shall be requested to be made within 30 days of their selection, shall be set forth in a written statement delivered to Heritage MLP and the LP and shall be final, binding and conclusive. The Final Statement, as modified by resolution of any disputes by Heritage MLP and the LP or by the Independent Accounting Firm, shall be the "Final Statement."

(c) To the extent that the value of the Net Working Capital shown on the Final Statement contributed to Heritage OLP by the LP is not equal to zero, the Closing Price shall be increased or decreased, as the case may be. Heritage OLP shall pay, or cause to be paid, to the LP, the amount by which the amount of Net Working Capital as set forth in the Final Statement exceeds zero, and the LP shall pay, or cause to be paid, to Heritage OLP the amount by which the Net Working Capital as set forth in the Final Statement is less than zero.

(d) The amounts, if any, referred to in Section 2.6(c), shall be paid by the paying party under Section 2.6(c) by wire transfer in immediately available funds to an account to be designated by the recipient.

(e) The rights to indemnification pursuant to Article 9 (and any limitations on such rights) shall not be deemed to limit, supersede or otherwise affect the rights of the Parties to a full Cash Purchase Price adjustment pursuant to this Section 2.6, provided that no claim for indemnification may be made with respect to any matters or items to the extent reflected in the Final Statement.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE HERITAGE PARTIES

For the purposes of this Agreement, each of the Heritage Parties, jointly and severally, represents and warrants as set forth in this Article 3. The Heritage Parties do not make any representations and warranties in this Article 3 with respect to the Contributed Subs, the Contributed Interests or the Transferred Assets.

3.1 SEC REPORTS.

(a) Heritage MLP's annual report on Form 10-K for the year ended August 31, 1999, and the quarterly and current reports on Form 10-Q and 8-K, if any, filed by Heritage MLP with the Securities and Exchange Commission ("SEC") since August 31, 1999 (collectively, the "SEC Reports") were timely filed with the SEC. Such

documents, at the time they were filed with the SEC, complied and will comply in all material respects with the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations of the SEC thereunder (the "Exchange Act Regulations") and did not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. In addition, each of the statements made in such documents within the coverage of Rule 175(b) of the rules and regulations under the Securities Act of 1933, as amended (the "Securities Act"), was made by Heritage MLP, or Heritage GP, as the case may be, with a reasonable basis and in good faith. Other than the SEC Reports, none of the Heritage Entities nor any of their respective subsidiaries or affiliates is required to file any form, report or other document with the SEC that has not been filed.

(b) There are no agreements, contracts, indentures, leases or other instruments that are required to be described in the SEC Reports or to be filed as exhibits to the SEC Reports that are not described or filed as required by the Exchange Act.

(c) Since August 31, 1999, no transaction has occurred between or among Heritage GP, Heritage MLP, Heritage MLP's Subsidiaries and any of their respective officers, directors, stockholders or affiliates or, to the best knowledge of the Heritage Parties, any affiliate of any such officer, director or stockholder, that is required to be described in the SEC Reports that is not so described.

3.2 FINANCIAL STATEMENTS.

(a) Attached as Schedule 3.2(a) or filed with the SEC Reports are copies of (i) unaudited consolidated balance sheets as of February 29, 2000 and the related consolidated statements of income, cash flows and owners' equity for the interim quarterly periods then ended and for the six months ended February 29, 2000, and (ii) unaudited consolidated balance sheets as of April 30, 2000, and the related unaudited consolidated statements of income, cash flows and owners' equity for the fiscal year to date then ended (including in all cases the notes, if any, thereto) of the Heritage Entities (the "Financial Statements"). The Financial Statements have been prepared in accordance with GAAP except, in the case of unaudited interim financial statements, for normal year-end adjustments and the absence of footnotes, and fairly present the respective consolidated financial position of Heritage MLP and its Subsidiaries as of the respective dates set forth therein and the respective results of operations and cash flows for Heritage MLP and its Subsidiaries for the respective fiscal periods set forth therein.

(b) The books of account and other financial records of Heritage MLP and its Subsidiaries from which the Financial Statements were prepared: (i) reflect all items of income and expense and all assets and liabilities required to be reflected therein in accordance with GAAP applied on a basis consistent with past practices, (ii) are complete and correct, and do not contain or reflect any inaccuracies or discrepancies that are inconsistent with financial reporting requirements in accordance with GAAP and (iii) have been maintained in accordance with good business and accounting practices.

(c) Except for liabilities and obligations reflected on the February 29, 2000 consolidated balance sheets of Heritage MLP and its Subsidiaries (including the notes thereto), liabilities and obligations disclosed in the SEC Reports filed prior to the date of this Agreement and other liabilities and obligations contemplated by this Agreement, the Stock Purchase Agreement or the Subscription Agreement, or incurred in the ordinary course of business consistent with past practice since February 29, 2000, neither Heritage MLP nor any of its Subsidiaries has any liabilities or obligations of any nature that are required to be disclosed in the SEC Reports (whether accrued, absolute, contingent or otherwise), other than the vesting of phantom units under the Restricted Unit Plan as set forth on Schedule 3.2(e).

(d) Heritage MLP has heretofore furnished to the LP complete and correct copies of (i) all agreements, documents and other instruments not yet filed by Heritage MLP with the SEC but that are currently in effect and that Heritage MLP expects to file with the SEC after the date of this Agreement (with the exception of documents contemplated by this Agreement to be filed with the Form 8-K expected to be filed with the SEC after the signing of this Agreement to disclose the transactions contemplated by this Agreement) and (ii) all amendments and modifications that have not been filed by Heritage MLP with the SEC to all agreements, documents and other instruments that previously have been filed by Heritage MLP with the SEC and are currently in effect.

(e) Schedule 3.2(e) sets forth a list of all outstanding phantom units that have been granted under the Restricted Unit Plan and the number of Common Units issuable upon vesting thereof. No other Common Units are or will be issuable as a result of the Closing and the consummation of the transactions contemplated by this Agreement.

3.3 NO MATERIAL ADVERSE CHANGE.

(a) Since August 31, 1999 and except as disclosed in the SEC Reports or as set forth on Schedule 3.3(a), there has not occurred (i) any change by Heritage GP or any of the Heritage Entities in any of their accounting methods, principles or practices or any of their tax methods, practices or elections, (ii) any declaration, setting aside or payment of any distribution by Heritage MLP in respect of its partnership interests or any redemption, purchase or other acquisition of any of its partnership interests, except for quarterly distributions of up to $0.5625 on each MLP Common Unit and Subordinated Unit and the corresponding distribution on the general partner interests, (iii) any revaluation by any of the Heritage Entities of any asset (including, without limitation, any writing down of the value of inventory or writing off of notes or accounts receivable), other than in the ordinary course of business consistent with past practice, (iv) any entry by any of the Heritage Entities into any commitment or transaction material to the Heritage Entities, taken as a whole, except in the ordinary course of business consistent with past practice, (v) any increase in or establishment of any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards, or restricted stock awards), stock purchase or other employee benefit plan, or any other increase in the compensation payable or to become payable to

any officers or key employees of Heritage GP, Heritage MLP or any of the Heritage Entities, except in the ordinary course of business consistent with past practice, (vi) any acquisition or disposition by Heritage GP or any of the Heritage Entities of any material asset, except in the ordinary course of business consistent with past practice, (vii) any incurrence, assumption or guarantee by any of the Heritage Entities of any indebtedness or obligation relating to any lending or borrowing except current liabilities and commitments incurred in the ordinary course of business consistent with past practice, (viii) any amendment, modification or termination by Heritage GP or any of the Heritage Entities of any existing, or entering into any new, contract, plan, lease, license, permit or franchise, except in the ordinary course of business consistent with past practice, or (ix) any event that (A) would have a material adverse effect on the condition (financial or other), business, prospects, properties, net worth or results of operations of the Heritage Entities, taken as a whole, or (B) would subject Heritage GP to any material liability or disability, or (C) would impede in any material respect the ability of Heritage GP or any of the Heritage Parties to consummate the transactions contemplated by this Agreement, the Stock Purchase Agreement or the Subscription Agreement (clause (A), (B) and (C), or any of such clauses, a "Heritage Material Adverse Effect"). Since the date of the most recent filing with the SEC of a quarterly report on Form 10-Q by Heritage MLP, there has not occurred any event that (singly or together with any other such events) could reasonably be expected to have a Heritage Material Adverse Effect.

(b) Except as disclosed in the SEC Reports and as set forth on Schedule 3.3(b), subsequent to the respective dates as of which information is given in the SEC Reports, (i) none of the Heritage Entities has incurred any liabilities or obligations (indirect, direct or contingent) or entered into any other transactions not in the ordinary course of business that, singly or in the aggregate, could reasonably be expected to be material to the Heritage Entities considered as a whole, or that could reasonably be expected to result in a material reduction in the earnings of the Heritage Entities considered as a whole; (ii) none of the Heritage Entities has sustained any loss or interference with its business or properties from strike, fire, flood, windstorm, accident or other calamity (whether or not covered by insurance) that, singly or in the aggregate, could reasonably be expected to be material to the Heritage Entities considered as a whole; (iii) there has been no material change in the indebtedness of any of the Heritage Entities, no material change in the capitalization of any Heritage Entity and no distribution of any kind declared, paid or made by any of the Heritage Entities; and (iv) there has not been any material adverse change, nor any development that could, singly or in the aggregate, result in a material adverse change in the condition (financial or other), business, prospects, properties, net worth or results of operations of Heritage GP or of the Heritage Entities considered as a whole.

3.4 FORMATION OF HERITAGE MLP AND HERITAGE OLP. Each of Heritage MLP and Heritage OLP has been duly formed and is validly existing in good standing as a limited partnership under the Delaware Revised Uniform Limited Partnership Act (the "Delaware LP Act") with full partnership power and authority to own or lease its properties and to conduct its business, in each case in all material respects as described in the SEC Reports. Heritage GP has been duly incorporated and is validly existing in good

standing as a corporation under the Delaware General Corporation Law with full corporate power and authority to own and lease its properties, to conduct its business and to act as general partner of Heritage MLP and Heritage OLP, in each case in all material respects as described in the SEC Reports. Each of Heritage GP, Heritage MLP and Heritage OLP is duly registered or qualified as a foreign limited partnership or corporation for the transaction of business under the laws of each jurisdiction in which the character of the business conducted by it or the nature or location of the properties owned or leased by it makes such registration or qualification necessary, except where the failure so to register or qualify would not have a Heritage Material Adverse Effect.

3.5 ORGANIZATION OF HERITAGE ENTITIES.

(a) Heritage Service Corp. has been duly incorporated and is validly existing in good standing as a corporation under the laws of the State of Delaware with full corporate power and authority to own or lease its properties and to conduct its business, in each case in all material respects as described in the SEC Reports. Heritage Service Corp. is duly registered or qualified as a foreign corporation for the transaction of business under the laws of each jurisdiction in which the character of the business conducted by it or the nature or location of the properties owned or leased by it makes such registration or qualification necessary, except where the failure so to register or qualify would not have a Heritage Material Adverse Effect.

(b) Guilford Gas Service, Inc. has been duly formed and is validly existing in good standing as a corporation under the laws of the State of North Carolina, with full corporate power and authority to own or lease its properties and to conduct its business, in each case in all material respects as described in the SEC Reports.

(c) Heritage Bi-State LLC has been duly formed and is validly existing in good standing as a limited liability company under the laws of the State of Delaware, with full limited liability company power and authority to own or lease its properties and to conduct its business, in each case in all material respects as described in the SEC Reports.

(d) Heritage Energy Resources, L.L.C. has been duly formed and is validly existing in good standing as a limited liability company under the laws of the State of Oklahoma, with full limited liability company power and authority to own or lease its properties and to conduct its business.

(e) M-P Oils, Ltd. has been duly incorporated and is validly existing in good standing as a corporation under the laws of the Province of Alberta, Canada with full corporate power and authority to own or lease its properties and to conduct its business, in each case in all material respects as described in the SEC Reports. M-P Oils, Ltd. is duly registered or qualified as a foreign corporation for the transaction of business under the laws of each jurisdiction in which the character of the business conducted by it or the nature or location of the properties owned or leased by it makes such registration or

qualification necessary, except where the failure so to register or qualify would not have a Heritage Material Adverse Effect.

(f) M-P Energy Partnership has been duly formed and is validly existing in good standing as a general partnership under the laws of the Province of Alberta, Canada, with full partnership power and authority to own or lease its properties and to conduct its business, in each case in all material respects as described in the SEC Reports.

(g) Bi-State Propane has been duly formed and is validly existing in good standing as a general partnership under the laws of the State of California, with full partnership power and authority to own or lease its properties and to conduct its business, in each case in all material respects as described in the SEC Reports.

(h) Heritage GP is the sole general partner of Heritage MLP and Heritage OLP with a 1% general partner interest in Heritage MLP and a 1.0101% general partner interest in Heritage OLP.

(i) Other than as set forth on Schedule 3.5(i), neither of the Heritage Parties has any Subsidiary or owns any equity interest in any Person other than the Heritage Entities.

3.6 CAPITALIZATION OF HERITAGE MLP AND OWNERSHIP OF INTERESTS.

(a) All of the outstanding Common Units, Subordinated Units and Incentive Distribution Rights have been duly authorized and validly issued in accordance with the Amended and Restated Agreement of Limited Partnership of Heritage MLP (the "Heritage MLP Partnership Agreement"); are fully paid (to the extent required under the Heritage MLP Partnership Agreement) and nonassessable (except as such nonassessability may be affected by matters described in Section 17-303 of the Delaware LP Act); and are issued and held as described in the SEC Reports and the Financial Statements.

(b) The Class C Units to be issued to the stockholders of Heritage GP prior to the Closing, the Class C limited partner interests represented thereby, and the Common Units to be issued to the LP at the Closing and the common limited partner interests represented thereby, will be duly authorized in accordance with the Partnership Agreement and, when issued and delivered to the Purchasers against payment therefor in accordance with the terms hereof, will be validly issued, fully paid (to the extent required under the Heritage MLP Partnership Agreement) and nonassessable (except as such nonassessability may be affected by matters described in Section 17-303 of the Delaware LP Act) and will be issued free and clear of any lien, claim or encumbrance.

(c) Heritage MLP is the sole limited partner of Heritage OLP with a 98.9899% limited partner interest in Heritage OLP.

(d) All of the outstanding shares of capital stock of Heritage Service Corp. have been duly authorized and validly issued and are fully paid and nonassessable; and Heritage OLP owns all of such shares.

(e) All of the outstanding shares of capital stock of M-P Oils, Ltd. have been duly authorized and validly issued and are fully paid and nonassessable; and Heritage Service Corp. owns all of such shares.

(f) M-P Oils, Ltd. owns a general partner interest of 60% in M-P Energy Partnership; such general partner interest has been duly authorized and validly issued in accordance with the partnership agreement of M-P Energy Partnership; and M-P Oils, Ltd. owns such general partner interest.

(g) Except (i) as described in the SEC Reports, (ii) for the Common Units and the Class B Subordinated Units to be issued pursuant to this Agreement, the Subscription Agreement and Amendment No. 1, (iii) for the Class C Units to be issued pursuant to the Stock Purchase Agreement and Amendment No. 1, and (iv) arising under certain agreements providing for the issuance of Common Units to (A) Heritage GP in connection with Heritage GP's assumption of certain tax liabilities in connection with prior stock acquisitions for the benefit of Heritage MLP of retail propane operations, and (B) Heritage GP Stockholders under the Restricted Unit Plan in the numbers of Common Units set forth in Schedule 3.2(e), there are no preemptive rights or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of, any interests in Heritage MLP or Heritage OLP pursuant to the Heritage MLP Partnership Agreement or the agreement of limited partnership of Heritage OLP (the "Heritage OLP Partnership Agreement") or any other agreement or instrument to which Heritage MLP or Heritage OLP is a party or by which either of them may be bound. Neither the offering nor the sale of the Common Units as contemplated by this Agreement gives rise to any rights for or relating to the registration of any Common Units or other securities of Heritage MLP, except pursuant to this Agreement, to the Registration Rights Agreement, of even date herewith, among Heritage MLP and each of the Heritage GP Stockholders (the "Registration Rights Agreement"), to the Registration Rights Agreement among Heritage GP and the stockholders of Heritage GP, dated as of June 28, 1996, or such rights as have been waived or satisfied.

(h) The Common Units, when issued and delivered against payment therefor as provided herein, will conform in all material respects to the description thereof contained in the Heritage MLP Partnership Agreement, as amended by Amendment No. 1 thereto, which has been duly approved and adopted as of the date hereof. Heritage MLP has all requisite power and authority to issue, sell and deliver the Common Units, in accordance with and upon the terms and conditions set forth in this Agreement and the Heritage MLP Partnership Agreement, as such Heritage MLP Partnership Agreement will be amended by Amendment No. 1 thereto prior to the Closing. As of the Closing Date, all corporate and partnership action, as the case may be, required to be taken by the Heritage Parties or any of their respective stockholders or partners for the authorization,

issuance, sale and delivery of the Common Units shall have been validly taken, and no other authorization is required therefor.

3.7 AUTHORITY AND BINDING AGREEMENT. Each of the Heritage Parties has all requisite power and authority to enter into and to perform their respective obligations under this Agreement. As of the Closing Date, all corporate and partnership action, as the case may be, required to be taken by Heritage GP or any of the Heritage Parties or any of their respective stockholders or partners for the authorization of the transactions contemplated by this Agreement shall have been validly taken.

(b) The execution and delivery of, and the performance by Heritage GP (as to Section 5.5) and each of the Heritage Parties of their respective obligations under, this Agreement have been duly and validly authorized by Heritage GP (as to Section 5.5) and each of the Heritage Parties. This Agreement has been duly executed and delivered by Heritage GP (as to Section 5.5) and each of the Heritage Parties, and constitutes the valid and legally binding agreement of Heritage GP (as to Section 5.5) and each of the Heritage Parties, enforceable against Heritage GP (as to Section 5.5) and each of the Heritage Parties in accordance with its terms; provided that the enforceability hereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and except as rights to indemnity and contribution hereunder may be limited by federal or state securities laws.

3.8 AGREEMENTS OF LIMITED PARTNERSHIP. The Heritage MLP Partnership Agreement has been, and prior to the Closing the Heritage MLP Partnership Agreement, as amended by Amendment No. 1 to the Heritage MLP Partnership Agreement ("Amendment No. 1"), thereto will be, duly authorized, executed and delivered by Heritage GP and is, and will be, a valid and legally binding agreement of Heritage GP, enforceable against Heritage GP in accordance with its terms; the Heritage OLP Partnership Agreement has been duly authorized, executed and delivered by Heritage GP and Heritage MLP, and is a valid and legally binding agreement of Heritage GP and Heritage MLP, enforceable against each of them in accordance with its terms; provided that, with respect to each of the agreements of limited partnership, the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3.9 NO BREACH OR VIOLATION. None of the offering, issuance and sale by Heritage MLP of the Common Units, or the execution, delivery and performance of this Agreement by the Heritage Parties (i) conflicts or will conflict with or constitutes or will constitute a violation of the certificate or agreement of limited partnership (in the case of the Heritage MLP Partnership Agreement, as amended by Amendment No. 1), the certificate or articles of incorporation or bylaws or other organizational documents of Heritage GP or any of the Heritage Entities, (ii) constitutes or will constitute a breach or

violation of, or a default under (or an event which, with notice or lapse of time or both, would constitute such an event), any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which Heritage GP or any of the Heritage Entities is a party or by which any of them or any of their respective properties may be bound, (iii) violates or will violate any statute, law or regulation or any order, judgment, decree or injunction of any arbitrator or Governmental Authority directed to Heritage GP or any of the Heritage GP Entities or any of their properties in a proceeding to which any of them or their property is a party except as may be obtained prior to Closing under state securities or "Blue Sky" laws or under the HSR Act or (iv) will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of Heritage GP or any of the Heritage Entities, which conflicts, breaches, violations or defaults, in the case of clauses (ii), (iii) or (iv), would have a Heritage Material Adverse Effect.

3.10 NO CONSENTS. Except as may be obtained under state securities or "Blue Sky" laws and under the HSR Act, no permit, consent, approval, authorization, order, registration, filing or qualification of or with Governmental Authority is required in connection with the execution and delivery by the Heritage Parties of, or the consummation by the Heritage Parties of the transactions contemplated by, this Agreement.

3.11 NO VIOLATION. None of Heritage GP or the Heritage Entities is in (i) violation of its partnership agreement, certificate or articles of incorporation or bylaws or other organizational documents, or of any law, statute, ordinance, administrative or governmental rule or regulation applicable to it or of any decree of any Governmental Authority having jurisdiction over it or (ii) breach, default (or an event which, with notice or lapse of time or both, would constitute such a default) or violation in the performance of any obligation, agreement or condition contained in any bond, debenture, note or any other evidence of indebtedness or in any agreement, indenture, lease or other instrument to which it is a party or by which it or any of its properties may be bound, which breach, default or violation would, if continued, have a Heritage Material Adverse Effect. To the knowledge of the Heritage Entities, no third party to any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Heritage GP or any of the Heritage Entities is a party or by which any of them is bound or to which any of their properties are subject, is in default under any such agreement, which breach, default or violation would, if continued, have a Heritage Material Adverse Effect.

3.12 NO PROCEEDINGS. Except as described in the SEC Reports, there is (i) no Proceeding before or by any Governmental Authority or arbitrator or official, domestic or foreign, now pending or, to the knowledge of the Heritage Parties, threatened, to which any of the Heritage Entities or any of their respective subsidiaries is or may be a party or to which the business or property of any of the Heritage Entities or any of their respective subsidiaries is or may be subject, (ii) no statute, rule, regulation or order that has been enacted, adopted or issued by any Governmental Authority or that has been proposed by any Governmental Authority and (iii) no injunction, restraining order or order of any nature issued by a federal or state court or foreign court of competent jurisdiction to which any of the Heritage Entities or any of their respective subsidiaries is or may be

subject, that, in the case of clauses (i), (ii) and (iii) above, is reasonably expected to (A) individually or in the aggregate have a Heritage Material Adverse Effect, (B) prevent or result in the suspension of the issuance and sale of the Common Units or (C) affect adversely the ability of the Heritage Parties to consummate the Closing as contemplated herein.

3.13 LISTING. The outstanding Common Units are listed for trading on the New York Stock Exchange.

3.14 FINDER'S FEES. Except in accordance with the letter agreement dated May 5, 2000 between the Special Committee of the Board of Directors of Heritage MLP, Heritage MLP, Heritage GP and Lehman Brothers Inc., none of the Heritage Entities is obligated (directly or indirectly) under any agreement with any Person that would obligate any of the Heritage Entities or the LP or any of their respective Affiliates to pay any commission, brokerage or "finder's fee" in connection with the transactions contemplated herein.

3.15 BUSINESS PERMITS. Each of the Heritage Entities has, or at the Closing Date will have, such Permits as are necessary to own its properties and to conduct its business in the manner described in the SEC Reports, subject to such qualifications as may be set forth in the SEC Reports and except for such Permits which, if not obtained, would not have, individually or in the aggregate, a Heritage Material Adverse Effect; each of the Heritage Entities has, or at the Closing Date will have, fulfilled and performed all its material obligations with respect to such Permits, and no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any impairment of the rights of the holder of any such Permit, except for such revocations, terminations and impairments that would not have a Heritage Material Adverse Effect; and, except as described in the SEC Reports, none of such Permits contains any restriction that is materially burdensome to the Heritage Entities considered as a whole.

3.16 BOOKS AND RECORDS.

(a) To the actual knowledge of the Specified Heritage Persons, each of the Heritage Entities (i) makes and keeps books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets and (ii) maintains systems of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management's general or specific authorization; and (D) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(b) To the actual knowledge of the Specified Heritage Persons, none of the Heritage Entities nor any employee or agent of any of the Heritage Entities has made any payment of funds of any of the Heritage Entities or received or retained any funds in either case in violation of any law, rule or regulation, which payment, receipt or retention of funds is of a character required to be disclosed in the SEC Reports.

3.17 TAXES.

(a) Except as set forth on Schedule 3.17(a), each of the Heritage Entities has filed all material federal, state, local and foreign Tax Returns required to be filed with the IRS or other applicable taxing authority through the date hereof, which returns are complete and correct in all material respects, and has timely paid or has provided an accrual for all Taxes shown to be due pursuant to such returns, other than those (i) which, if not paid, would not have a Heritage Material Adverse Effect or (ii) which are being contested in good faith. Except as set forth on Schedule 3.17(a), none of the Heritage Entities currently is the beneficiary of any extension of time within which to file any Tax Returns.

(b) Schedule 3.17(b) lists all federal, state, local and foreign income Tax Returns filed with respect to each of the Heritage Entities and any affiliated, consolidated, combined, unitary or similar group of which Heritage OLP or Heritage MLP is or was a member for the three taxable years prior to the date hereof and indicates those Tax Returns that are as of the date hereof the subject of audit. None of Heritage GP or the Heritage Entities has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(c) None of Heritage GP or the Heritage Entities has made any material payments, is obligated to make any material payments, or is a party to any agreement that under certain circumstances could obligate it to make any material payments that will not be deductible under Code Section 280G.

(d) None of Heritage GP or the Heritage Entities has been a United States real property holding corporation within the meaning of Code Section 897(c)(2) during the applicable period specified in Code Section 897(c)(1)(A)(ii).

(e) Since September 1, 1996, none of Heritage GP or the Heritage Entities (i) has been a member of an affiliated group filing a consolidated federal income Tax Return or (ii) has any liability for Taxes of any Person (other than Heritage GP or a Heritage Entity) under Treas. Reg. 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract, or otherwise, excluding liability for Taxes to the extent set forth on Schedule 3.17(e) for stock acquisitions for which Heritage GP obtained commercially reasonable indemnification and which liability was assumed by Heritage OLP upon transfer of the assets of the acquired entity to Heritage OLP.

(f) Since their formation, Heritage MLP and Heritage OLP have each been treated as a partnership for federal income tax purposes. Moreover, for each taxable year of existence and as reasonably estimated for Heritage MLP's and Heritage OLP's taxable year ended December 31, 2000, more than 90% of the gross income of Heritage MLP and Heritage OLP has constituted "qualifying income" within the meaning of Section 7704(d) of the Code.

3.18 INTELLECTUAL PROPERTY. Except as set forth on Schedule 3.18, each of the Heritage Entities owns or possesses or has the right to use, or at the Closing Date will own or possess or have the right to use in the localities where they are currently used by the Heritage Entities, all patents, trademarks, trademark registrations, service marks, service mark registrations, trade names, copyrights, licenses, inventions, trade secrets and rights described in the SEC Reports as being owned by it or any of the Heritage Entities or necessary for the conduct of its respective business, other than those which if not so owned or possessed would not have a Heritage Material Adverse Effect, and none of the Heritage Entities is aware of any claim to the contrary or any challenge by any other Person to the rights of the Heritage Entities with respect to the foregoing.

3.19 REGULATION. Except as set forth on Schedule 3.19, none of the Heritage Entities is now, or after the consummation of the transactions contemplated by the Contribution Agreement and application of the net proceeds thereof will be, (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 "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" thereof, within the meaning of the Public Utility Holding Company Act of 1935, as amended.

3.20 ENVIRONMENTAL MATTERS.

(a) To the Knowledge of the Specified Heritage Persons, except as set forth in Schedule 3.20, none of the Heritage Entities is in violation of, or subject to, any pending or threatened Proceeding under, or subject to any remedial obligations under, any Applicable Laws pertaining to health, safety, the environment, Hazardous Substances or Solid Wastes (such Applicable Laws as they now exist are herein collectively called "Applicable Environmental Laws") relating to the ownership or operation of the assets of the Heritage Entities (the "Heritage Assets") or the operation of the Business, including (i) the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"), and (ii) the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"). To the Knowledge of the Specified Heritage Persons, except as set forth on Schedule 3.20, the Heritage Entities have obtained all Permits to construct, occupy, lease, operate or use any real property or equipment or other tangible property forming a part of the Heritage Assets by reason of any Applicable Environmental Laws.

(b) To the Knowledge of the Specified Heritage Persons, except as set forth on Schedule 3.20, there are no past or present events, conditions, circumstances or plans (i) that interfere with or prevent compliance or continued compliance, with respect to the

Heritage Assets or business conducted by the Heritage Entities, with Applicable Environmental Laws or (ii) that are reasonably expected to give rise to any common law or other legal liability or obligation with respect to the Heritage Assets or Business, including liability or obligation under CERCLA or RCRA, based on or related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling or the emission, discharge, release or threatened release into the environment, of any pollutant, contaminant, chemical, industrial toxin, Hazardous Substance or Solid Waste.

(c) As used in this Agreement, the term "Hazardous Substance" shall have the meaning currently specified in CERCLA and the term "Solid Waste" shall have the meaning currently specified in RCRA; provided, that to the extent the Applicable Laws of the jurisdiction in which the particular asset is located have currently established a meaning for such term that is broader than that specified in CERCLA or RCRA, such broader meaning shall apply.

(d) To the Knowledge of the Specified Heritage Persons, except as set forth on Schedule 3.20, there are no (i) underground storage tanks, known contamination of soil or groundwater, or known or suspected asbestos or asbestos-containing materials on any property owned or leased by the Heritage Entities, (ii) pending or threatened complaints, suits, actions or demand letters by any third party or Governmental Authority relating to any alleged violation of Applicable Environmental Law by the Heritage Entities, (iii) Permits required of the Heritage Entities under Applicable Environmental Laws to own, lease or operate their properties and conduct their business as described in the SEC Reports that the Heritage Entities do not possess or Permits the terms and conditions of which the Heritage Entities have violated or are violating (except, in each case as would not have a Heritage Material Adverse Effect), or (iv) real estate sites owned or operated by any of the Heritage Entities that have been used as a manufactured gas plant site.

3.21 EMPLOYEE MATTERS.

(a) To the actual knowledge of the Specified Heritage Persons, except as set forth on Schedule 3.21(a), none of the Heritage Entities has violated any federal, state or local law relating to discrimination in the hiring, promotion or pay of employees nor any applicable wage or hour laws, nor any provisions of ERISA or the rules and regulations promulgated thereunder, nor has any of the Heritage Entities engaged in any unfair labor practice, which in each case would have a Heritage Material Adverse Effect; there is (i) no unfair labor practice complaint pending against any of the Heritage Entities or, to the best knowledge of the Heritage Parties, threatened against any of them, before the National Labor Relations Board or any state or local labor relations board, and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement pending against any of the Heritage Entities or, to the best knowledge of the Heritage Parties, threatened against any of them, (ii) no significant strike, labor dispute, slowdown or stoppage pending against any of the Heritage Entities or, to the best knowledge of the Heritage Parties, threatened against any of the Heritage Entities and

(iii) to the best knowledge of the Heritage Parties, no union representation question existing with respect to the employees of the Heritage Entities and no union organizing activities taking place, except in the cases of clauses (i), (ii) and (iii) such complaints, grievances, arbitration proceedings, strikes, labor disputes, slowdowns, stoppages or questions, which if determined adversely to the Heritage Entities, would not individually or in the aggregate result in a Heritage Material Adverse Effect.

(b) Schedule 3.21(b) lists all express employment agreements and related noncompete agreements in excess of $75,000 per annum in salary to which Heritage GP or any of the Heritage Entities is a party or by which any of such Persons is bound.

3.22 INSURANCE. The Heritage Parties maintain insurance covering the properties, operations, personnel and businesses of the Heritage Entities. In the reasonable judgment of the Heritage Parties, such insurance insures against such losses and risks as are reasonably adequate to protect the Heritage Entities and their businesses. None of the Heritage Entities has received notice from any insurer or agent of such insurer that substantial capital improvements or other expenditures will have to be made in order to continue such insurance; all such insurance is outstanding and duly in force on the date hereof and will be outstanding and duly in force on the Closing Date.

3.23 OPINION OF FINANCIAL ADVISOR. The Special Committee has received the opinion of Lehman Brothers Inc. to the effect that, as of the date of such opinion, the transactions contemplated hereby are fair, from a financial point of view, to Heritage MLP.

3.24 APPROVAL OF SPECIAL COMMITTEE. The Special Committee has recommended that the Board of Directors of Heritage GP approve the transactions contemplated hereby.

3.25 EMPLOYEE BENEFIT PLANS.

(a) To the Knowledge of the Specified Heritage Persons, Schedule 3.25 contains a true and complete list of all employee benefit plans (within the meaning of Section 3(3) of ERISA), and all bonus, stock option, stock purchase, restricted stock, incentive, deferred compensation, retiree medical or life insurance, supplemental retirement, severance or other benefit plans, programs or arrangements, and all employment, termination, severance or other contracts or agreements to which Heritage GP or any of the Heritage Entities is a party, with respect to which Heritage GP or any of the Heritage Entities has any liability or which are maintained, contributed to or sponsored by Heritage GP or any of the Heritage Entities for the benefit of any current or former employee, officer or director of Heritage GP or any of the Heritage Entities (collectively, referred to herein as the "Heritage Plans"). Heritage GP and each of the Heritage Entities, as applicable, have, and within 15 business days prior to Closing, will have furnished to the LP true and complete copies of each Heritage Plan and true and complete copies of each material document prepared in connection with each Heritage Plan that is currently in effect, including, without limitation, (i) a copy of each trust or

other funding arrangement, (ii) each summary plan description and summary of material modifications, (iii) the most recently filed Internal Revenue Service Form 5500, (iv) the most recently received IRS determination letter for each such Heritage Plan, and (v) the most recently prepared actuarial report and financial statement in connection with each such Heritage Plan. To the Knowledge of the Specified Heritage Persons, except as set forth on Schedule 3.25, neither Heritage GP nor the Heritage Entities has any express or implied commitment (i) to create, incur liability with respect to or cause to exist any other employee benefit plan, program or arrangement, (ii) to enter into any contract or agreement to provide compensation or benefits to any individual or (iii) to modify, change or terminate any Heritage Plan, other than with respect to a modification, change or termination required by ERISA or the Code.

(b) To the Knowledge of the Specified Heritage Persons, none of the Heritage Plans is a multiemployer plan, within the meaning of Section 3(37) or 4001(a)(3) of ERISA, or is a single employer pension plan, within the meaning of Section 4001(a)(15) of ERISA, for which Heritage GP or any of the Heritage Entities could incur liability under Section 4063 or 4064 of ERISA. Except to the extent set forth in the Heritage Plans listed in Schedule 3.25, none of the Heritage Plans (i) provides for the payment of separation, severance, termination or similar-type benefits to any person, (ii) obligates Heritage GP or any Heritage Entity to pay separation, severance, termination or other benefits as a result of the transaction or (iii) obligates Heritage GP or any Heritage Entity to make any payment or provide any benefit that could be subject to a tax under Section 4999 of the Code. Except as disclosed in Schedule 3.25, none of the Heritage Plans provides for or promises retiree medical, disability or life insurance benefits to any current or former employee, officer or director of Heritage GP or any Heritage Entity.

(c) To the Knowledge of the Specified Heritage Persons, each Heritage Plan which is intended to be qualified under Section 401(a) or 401(k) of the Code is and has always been so qualified.

(d) To the knowledge of the Specified Heritage Persons, except to the extent set forth on Schedule 3.25, each Heritage Plan is now and always has been operated in all respects in accordance with the requirements of Applicable Law, including, without limitation, ERISA and the Code, and each Heritage Entity has performed all obligations required to be performed by it under such Heritage Plan, is not in any respect in default under or in violation of, and has no knowledge of any default or violation by any party to, any Heritage Plan. Except as set forth on Schedule 3.25, no Heritage Plan is subject to Title IV of ERISA or Section 412 of the Code.

(e) To the Knowledge of the Specified Heritage Persons, with respect to each Heritage Plan, there are no prohibited transactions or breaches of fiduciary duties that could result in liability (directly or indirectly) for Heritage GP or any Heritage Entity.

(f) To the Knowledge of the Specified Heritage Persons, except as set forth on Schedule 3.25, each Heritage Plan may be unilaterally terminated any time by a

Heritage Entity without material liability, other than for benefits accrued prior to such termination.

(g) To the Knowledge of the Specified Heritage Persons, all contributions to, and payments from, each Heritage Plan that are required to be made in accordance with the terms of the Heritage Plan and Applicable Law have been timely made.

(h) For the purposes of this Section 3.25, the Specified Heritage Persons have made appropriate inquiry of employees of the Heritage Entities at the level of regional manager or above.

3.26 DISCLOSURE. Neither this Agreement nor any Schedule or Exhibit or any other certificate or instrument delivered to the LP by or on behalf of Heritage GP or any of the Heritage Parties in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein not misleading.

3.27 SUFFICIENCY OF HERITAGE ASSETS. The Heritage Assets constitute all the assets and properties used or held for use in connection with the operation of the business as described in the SEC Reports. The Heritage Assets constitute all the assets and properties the use or benefit of which are reasonably necessary for the operation of the business of the Heritage Entities as currently conducted. The Heritage Assets and their uses conform in all material respects to all Applicable Laws. As of the Closing, all tangible assets and properties included in the Heritage Assets will be in the possession, or under the control, of the Heritage Entities. All Heritage Assets are in good condition, normal wear and tear excepted, and are useable in the continued operation of the business of the Heritage Entities consistent with past practice.

3.28 TITLE TO HERITAGE ASSETS. As of the Closing, the Heritage Entities will have good and marketable title to, or valid leasehold interests in, all of the Heritage Assets, free and clear of all Encumbrances (other than Permitted Encumbrances).

3.29 COMPLIANCE WITH LAWS. Subject to the specific representations and warranties in this Agreement, which representations and warranties shall govern the subject matter thereof, the Heritage Entities have complied in all material respects with all Applicable Laws relating to the ownership or operation of the Heritage Assets and the conduct of the business of the Heritage Entities. None of the Heritage Entities is charged or, to the knowledge of the Heritage Parties, threatened with, or under investigation with respect to, any violation of any Applicable Law relating to any aspect of the ownership or operation of the Heritage Assets or such business.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE LP

For purposes of this Agreement, the LP, as of the Closing Date, hereby represents and warrants to each of the Heritage Parties, except as set forth in the Disclosure Letters

with respect to the Contributed Subs (with specific references to the appropriate section of this Agreement), as follows:

4.1 ORGANIZATION AND EXISTENCE. As of or prior to the Closing, the LP will be duly formed and will be validly existing in good standing as a limited partnership under the Delaware LP Act with full partnership power and authority to own or lease its properties and to conduct its business as currently conducted. As of or prior to the Closing, the LLC will be duly formed and will be validly existing in good standing as a limited liability company under the Delaware Limited Liability Company Act with full limited liability company power and authority to act as the general partner of the LP.

4.2 ORGANIZATION AND CAPITALIZATION OF THE CONTRIBUTED SUBS.

(a) Each of the Contributed Subs that is a limited liability company will be, as of the Closing, duly organized under the laws of the jurisdiction of its formation, qualified to do business in each jurisdiction where the character of its business requires it to be so qualified and will be wholly owned by the LP. None of the Contributed Subs will have any Subsidiaries or any equity interest in any other Person.

(b) AGL Propane, Inc. is validly existing as a corporation in good standing under the laws of the State of Georgia with full corporate power and authority to own or lease its properties and to conduct its Business as currently conducted.

(c) United Cities Propane Gas, Inc. is validly existing as a corporation in good standing under the laws of the State of Tennessee, with full corporate power and authority to own or lease its properties and to conduct its Business as currently conducted.

(d) Peoples Gas Company is validly existing as a corporation in good standing under the laws of the State of Florida, with full corporate power and authority to own or lease its properties and to conduct its Business as currently conducted.

(e) Piedmont Propane Company is validly existing as a corporation in good standing under the laws of the State of North Carolina, with full corporate power and authority to own or lease its properties and to conduct its Business as currently conducted.

4.3 AUTHORITY RELATIVE TO THIS AGREEMENT. Each of the LP and the LLC has full power and authority to execute, deliver and perform this Agreement and the Instruments of Conveyance (collectively, the "Documents") to which it is a party, and to consummate the transactions contemplated thereby. The execution, delivery and performance by the LP of such Documents, and the consummation by it of the transactions contemplated thereby, have been duly authorized by all necessary action. This Agreement has been duly executed and delivered by the LP and constitutes, and each of Documents and each other agreement, instrument or document executed or to be executed by the LP in connection with the transactions contemplated by this Agreement has been, or when executed will be, duly executed and delivered by such Party and

constitutes, or when executed and delivered will constitute, a valid and legally binding obligation of the applicable member of such Party enforceable against it in accordance with its terms, except that such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium and similar Laws affecting creditors' rights generally and (b) equitable principles.

4.4 NONCONTRAVENTION. The execution, delivery and performance by the LP of the Documents to which it is a party, and the consummation by it of the transactions contemplated thereby do not and will not (a) conflict with or result in a violation of any provision of the respective charter or bylaws or other governing instruments of the LLC or any of the U.S. Propane Entities, (b) conflict with or result in a violation of any provision of, or constitute (with or without the giving of notice or the passage of time or both) a default under, or give rise (with or without the giving of notice or the passage of time or both) to any right of termination, cancellation or acceleration under, any bond, debenture, note, mortgage, indenture, lease, contract, agreement or other instrument or obligation to which the LP or the LLC, the Contributed Interests, the Transferred Assets or Business may be bound, (c) result in the creation or imposition of any Encumbrance upon any Contributed Interests or Transferred Assets, (d) assuming compliance with the matters referred to in Section 4.5, violate any Applicable Law binding upon it or the Contributed Interests, Transferred Assets or Business or (e) conflict with or result in a violation of any Permit identified in Section 4.17(a) of the Disclosure Letters.

4.5 GOVERNMENTAL APPROVALS. Except as set forth in Section 4.5 of the Disclosure Letters and except as may be obtained under state securities or "Blue Sky" laws and under the HSR Act, no consent, approval, order or authorization of, or declaration, filing or registration with, any Governmental Authority is required to be obtained or made by the LP in connection with the execution, delivery or performance by such member of the Documents or the consummation by it of the transactions contemplated thereby, other than filings with and approvals by Governmental Authorities with respect to the transfer of the Transferred Assets or Contributed Interests (as the case may be) that are to occur in the ordinary course following the consummation of the transactions contemplated hereby.

4.6 EXCLUSIVE OPERATION OF THE BUSINESS. Except as set forth in Section 4.6 of the Disclosure Letters and except for the Contributed Subs, the LP and the LLC do not have any direct or indirect equity or ownership interest in any corporation, partnership, joint venture or other entity that is involved, directly or indirectly, in the conduct of the Business.

4.7 TITLE TO CONTRIBUTED INTERESTS AND TRANSFERRED ASSETS. As of the Closing, (i) the LP will be the owner of, and will have good and marketable title to, all of the Contributed Interests free and clear of any Encumbrance other than Permitted Encumbrances and (ii) the Contributed Subs will have good and marketable title to, or valid leasehold interests in, all of the Transferred Assets, free and clear of all Encumbrances (other than Permitted Encumbrances) and (iii) there are no outstanding interests, subscriptions, options, warrants, convertible interests, calls or rights of any kind

(issued or granted by or binding upon the Contributed Sub to purchase or otherwise acquire any security of or equity interest in any of the Contributed Subs) other than pursuant to this Agreement.

4.8 FINANCIAL STATEMENTS; ABSENCE OF LIABILITIES.

(a) The balance sheet dated as of February 29, 2000 (as the case may be) (the "Financial Statement Date") for each Contributed Sub's Business, and the income statement for the twelve months ended August 31, 1999, each as set forth in Section 4.8(a) of the Disclosure Letters, has been prepared from, and is in accordance with, the books and records of such Contributed Sub and presents fairly in all material respects the financial position of such Contributed Sub's Business as of the Financial Statement Date and the results of operations for the 12 months ended August 31, 1999, as applicable, in accordance with GAAP consistently applied.

(b) None of the U.S. Propane Entities has any material liabilities or obligations (whether accrued, absolute, contingent, unliquidated or otherwise, whether or not known, and whether due or to become due), other than as set forth in the Disclosure Letters, that will create or result in any Encumbrances on the Assets or the Contributed Interests, except for Permitted Encumbrances.

4.9 ABSENCE OF CERTAIN CHANGES. Since the Financial Statement Date, (a) there has been no event that (A) would have a material adverse effect on the financial condition, business, prospects, properties, net worth or results of operations of the U.S. Propane Entities, taken as a whole, or (B) would adversely affect the ability of the LP to consummate the transactions contemplated by this Agreement, the Stock Purchase Agreement or the Subscription Agreement (clauses (A) and (B), or either of such clauses, a "U.S. Propane Material Adverse Effect") with respect to the Transferred Assets or Business; (b) the Business has been conducted only in the ordinary course consistent with past practice; (c) except for, or as contemplated by, this Agreement, none of the U.S. Propane Entities has, in respect of the Transferred Assets, Contributed Subs or Business, incurred any material liability, engaged in any material transaction or entered into any material agreement outside the ordinary course of business consistent with past practice that individually or in the aggregate would result in a U.S. Propane Material Adverse Effect; (d) none of the U.S. Propane Entities has suffered any material loss, damage, destruction or other casualty to any of the Transferred Assets (whether or not covered by insurance) that individually or in the aggregate would result in a U.S. Propane Material Adverse Effect; and (e) none of the U.S. Propane Entities has, in respect of the Transferred Assets or the Business, taken any of the actions set forth in Section 5.2 except as permitted thereunder.

4.10 TAX MATTERS.

(a) Each of the LLC and the U.S. Propane Entities has (either directly or indirectly or as part of a consolidated or combined group) (i) duly filed all material federal, state, local and foreign Tax Returns required to be filed by or with respect to it

with the IRS or other applicable Taxing authority, (ii) paid, or adequately established a funded reserve against all Taxes due, or claimed by any Taxing authority to be due, from or with respect to it, and (iii) made all material deposits required with respect to Taxes, in each such case to the extent that the failure to do so would result in the imposition of any Encumbrance (other than a Permitted Encumbrance) on the Transferred Assets or Contributed Interests. There has been no material issue raised or material adjustment proposed (and none is pending) by the IRS or any other Taxing authority in connection with any Tax Returns relating to the Transferred Assets or Contributed Interests or the Business. Except as set forth in Section 4.10(a) of the Disclosure Letters, no waiver or extension of any statute of limitations as to any federal, state, local or foreign Tax matter relating to the Transferred Assets or Contributed Interests or the Business has been given by or requested from any of the U.S. Propane Entities with respect to any Tax year. None of the U.S. Propane Entities has filed a consent under Section 341(f) of the Code. There are no outstanding Tax liens and no Proceedings pending or, to the knowledge of the LP, threatened, that could create a Tax lien, affecting any of the Transferred Assets or Contributed Interests or the Business.

(b) Section 4.10(b) of the Disclosure Letters sets forth the tax basis, as of December 31, 1999, of the depreciable and amortizable Transferred Assets contributed to Heritage OLP by the Contributed Subs, and any material change in such tax basis since December 31, 1999.

4.11 COMPLIANCE WITH LAWS. Subject to the specific representations and warranties in this Agreement, which representations and warranties shall govern the subject matter thereof, the U.S. Propane Entities have complied in all material respects with all Applicable Laws relating to the ownership or operation of the Transferred Assets and Business. None of the U.S. Propane Entities is charged or, to the knowledge of the LP, threatened with, or under investigation with respect to, any violation of any Applicable Law relating to any aspect of the ownership or operation of the Transferred Assets or Business. All the real property within the Transferred Assets is allowed to be used in its current use, and such use is allowable after giving effect to its transfer to Heritage OLP.

4.12 LEGAL PROCEEDINGS. Set forth in Section 4.12 of the Disclosure Letters is a list of all Proceedings pending or, to the knowledge of the LP and the LLC, threatened against or involving the Transferred Assets, Contributed Interests or Business. Each of the matters set forth in Section 4.12 sets forth the insurance carrier, the limits of coverage, if any, and the fact that the carrier has assumed defense and that the loss is covered. Other than as set forth in Section 4.12 of the Disclosure Letters, none of Proceedings set forth in Section 4.12 of the Disclosure Letters, individually or in the aggregate, are reasonably expected to have a U.S. Propane Material Adverse Effect or to materially adversely affect the Transferred Contracts. None of the U.S. Propane Parties is subject to any judgment, order, writ, injunction or decree of any Governmental Authority that is, individually or in the aggregate, reasonably likely to have a U.S. Propane Material Adverse Effect or materially adversely affect the Transferred Contracts, other than as set forth in Section 4.12 of the Disclosure Letters. There are no Proceedings

pending or, to the knowledge of the LP, threatened, seeking to restrain, prohibit or obtain damages or other relief in connection with this Agreement or the transactions contemplated hereby.

4.13 SUFFICIENCY OF TRANSFERRED ASSETS. The Transferred Assets constitute all the assets and properties the use or benefit of which are reasonably necessary for the operation of the Business as currently conducted. The Transferred Assets and their uses conform in all material respects to all Applicable Laws. As of the Closing, all tangible assets and properties included in the Transferred Assets will be in the possession, or under the control, of the LP. All Transferred Assets are in good condition, normal wear and tear excepted, and are useable in the continued operation of the Business consistent with past practice.

4.14 REAL PROPERTY.

(a) Set forth in Section 4.14(a) of the Disclosure Letters is the street address, a brief description and a legal description of all real property owned by any of the U.S. Propane Parties and used or held for use in connection with the operation of the Transferred Assets or Business.

(b) Set forth in Section 4.14(b) of the Disclosure Letters is the street address and a brief description of the real property, including facilities and structures, leased by any of the U.S. Propane Parties and used or held for use in connection with the operation of the Transferred Assets or Business.

4.15 TANGIBLE PERSONAL PROPERTY. Set forth in Section 4.15 of the Disclosure Letters is a list of all furniture, fixtures, leasehold improvements, equipment, machinery, computer hardware, prototypes, spare parts, supplies, materials, motor vehicles, apparatus, tools, implements, appliances and other tangible personal property (other than inventories) owned or leased by any of U.S. Propane Parties and used or held for use in connection with the operation of the Transferred Assets or Business, except for items having a value individually of less than $5,000 and having, in the aggregate of like items, a value of less than $100,000.

4.16 INTELLECTUAL PROPERTY; TECHNOLOGY; SOFTWARE.

(a) Set forth in Section 4.16 of the Disclosure Letters is a list of all Intellectual Property and Software (other than documentation and object and source codes therefore (the "Listed Software")) relating to or used in connection with the operation of the Transferred Assets or Business. Section 4.16 of the Disclosure Letters specifies, as applicable: (i) the nature of such Intellectual Property and Listed Software; (ii) the owner of such Intellectual Property and Listed Software; and (iii) all licenses, sublicenses and other agreements to which one of the U.S. Propane Entities is a party and pursuant to which any Person is authorized to use the Intellectual Property, Technology and Software, including the identity of all parties thereto, a description of the nature and subject matter thereof, the applicable royalty (if any) and the terms thereof.

(b) The Intellectual Property and Software listed in Section 4.16 of the Disclosure Letters and the Technology transferred as part of the Transferred Assets constitute all Intellectual Property, Technology and Software necessary for the conduct of the Business by the Contributed Subs on a basis consistent with past practice. As of the Closing, one of the Contributed Subs will have good title to or is validly licensed to use all such Intellectual Property, Technology and Software. Each item of such Intellectual Property is in full force and effect, the owner or licensee thereof is in compliance in all material respects with all of its obligations with respect to any such Intellectual Property, Software or Technology and, to the knowledge of the LP, no event has occurred which permits, or upon the giving of notice or the passage of time or otherwise would permit, the revocation or termination of any thereof. There are no Proceedings pending or, to the knowledge of the LP, threatened, against any of the Contributed Subs asserting that the use by any of the Contributed Subs of any of such Intellectual Property, Technology or Software infringes the rights of any other Person or seeking revocation, termination or concurrent use of any of such Intellectual Property, Technology or Software, and, to the knowledge of the LP, there is no basis for any such Proceeding. To the knowledge of the LP, none of such Intellectual Property, Technology or Software that is owned by one of the Contributed Subs or their Affiliates is being infringed upon by any other Person. None of such Intellectual Property, Technology or Software that is owned by one of the Contributed Subs or their Affiliates is subject to any outstanding judgment, order, writ, injunction or decree of any Governmental Authority, or any agreement, arrangement or understanding restricting the scope or use thereof. To the knowledge of the LP, the conduct of the Business at any time prior to the Closing did not, and, to the knowledge of the LP, the conduct of the Business on a basis consistent with past practice as of the Closing will not, infringe upon or otherwise misappropriate any Intellectual Property, Technology or Software of any other Person.

4.17 PERMITS.

(a) Set forth in Section 4.17(a) of the Disclosure Letters is a list of all Permits held by one of the Contributed Subs that relate to the Transferred Assets or Business. Each of such Permits is in full force and effect, the holder is in compliance in all material respects with all of its obligations with respect thereto and no event has occurred which permits, or with or without the giving of notice or the passage of time or both would permit, the revocation or termination of any such Permit. No notice has been issued by any Governmental Authority and no Proceeding is pending or, to the knowledge of the LP, threatened, with respect to any alleged failure by the holder to have any material Permit.

(b) The Permits listed in Section 4.17(a) of the Disclosure Letters constitute all the Permits necessary or required for the ownership and operation of the Transferred Assets or Business as of the Closing.

4.18 AGREEMENTS.

(a) Set forth in Section 4.18(a) of the Disclosure Letters is a list of all the following Contracts to which any of the Contributed Subs is a party or by which the Contributed Interests, Transferred Assets or Business are bound that are not terminable at the option of one of the Contributed Subs (or one of their Affiliates) within 30 days for convenience and without penalty:

(i) collective bargaining agreements and similar agreements with Employees as a group;

(ii) agreements, trusts, plans, funds or other employee benefit arrangements of any nature;

(iii) agreements with any director, officer, Employee, consultant or advisor of one of the U.S. Propane Entities or any of their Affiliates;

(iv) agreements between or among one of the U.S. Propane Parties and any of their Affiliates;

(v) indentures, mortgages, security agreements, notes, loan or credit agreements or other agreements relating to the borrowing of money by one of the U.S. Propane Entities or to the direct or indirect guarantee or assumption by any one of the U.S. Propane Entities of any obligation of one of their Affiliates;

(vi) agreements relating to the acquisition or disposition of any assets, involving obligations or revenues of $50,000 or more;

(vii) agreements with respect to the lease of any real or personal property, involving annual obligations or revenues of $50,000 or more;

(viii) agreements concerning the management or operation of any real property, involving annual obligations or revenues of $50,000 or more;

(ix) supplier, broker, distributor, dealer, manufacturer's representative, sales, agency, sales promotion, advertising, marketing, consulting, research and development, maintenance, service and repair agreements, involving annual obligations or revenues of $20,000 or more;

(x) license, royalty or other agreements relating to Intellectual Property, Technology or Software;

(xi) partnership, joint venture and profit sharing agreements;

(xii) agreements with any Governmental Authority;

(xiii) agreements in the nature of a settlement or a conciliation agreement arising out of any claim asserted by any other Person;

(xiv) agreements containing any covenant limiting the freedom of any of the U.S. Propane Entities to engage in any line of business or compete with any other Person in any geographic area or during any period of time;

(xv) powers of attorney granted by Entities in favor of any Person;

(xvi) agreements not made in the ordinary course of the Business;

(xvii) agreements for the purchase, sale, exchange, marketing, storage or other use of propane, natural gas, electric energy, or other commodities, and all exchange, swap, hedging, and other financial or future contracts and agreements;

(xviii) other agreements, whether or not made in the ordinary course of business, that are material to the Business or the ownership or operation of the Transferred Assets;

(xix) agreements or commitments to enter into any of the foregoing; and

(xx) a separate listing of all agreements that have potential payments in excess of $50,000 in the aggregate (A) to third parties for such costs to install LPG appliances or (B) to third parties, if natural gas is not made available within a specified period of time (collectively, the "Contingent Payments").

(b) Each of such Contracts is a valid and binding agreement of the LP, the LLC or one of the Contributed Subs, as applicable. None of the U.S. Propane Entities is in breach of or in default in any material respect under, nor has any event occurred which (with or without the giving of notice or the passage of time or both) would constitute a material default by it under, any material provision of any of such agreements, and has not received any written notice from any other party indicating that it is in breach of or in default under any such material provision. No other party to any of such agreements is, to the knowledge of the LP, in breach of or in default under such agreements in any material respect, nor has any assertion been made by any of the U.S. Propane Entities of any such breach or default. Each of such Contracts is freely and fully assignable to Heritage OLP without penalty or other adverse consequence.

4.19 ENVIRONMENTAL MATTERS.

(a) To the Knowledge of the Specified U.S. Propane Persons, except as set forth in Section 4.19 of the Disclosure Letters, none of the Contributed Subs is in violation of, or subject to, any pending or threatened Proceeding under, or subject to any remedial obligations under, any Applicable Environmental Laws relating to the ownership or operation of the Transferred Assets or the operation of the Business, including (i) CERCLA, and (ii) the RCRA. To the Knowledge of the Specified U.S. Propane Persons, except as set forth in Section 4.19 of the Disclosure Letters, the Contributed Subs have obtained all Permits to construct, occupy, lease, operate or use any real property or any equipment or other tangible property forming a part of the Transferred Assets by reason of any Applicable Environmental Laws.

(b) To the Knowledge of the Specified U.S. Propane Persons, except as set forth in Section 4.19 of the Disclosure Letters, there are no past or present events, conditions, circumstances or plans (i) that interfere with or prevent compliance or continued compliance, with respect to the Transferred Assets or Business, with Applicable Environmental Laws or (ii) that are reasonably expected to give rise to any common law or other legal liability or obligation with respect to the Transferred Assets or Business, including liability or obligation under CERCLA or RCRA, based on or related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling or the emission, discharge, release or threatened release into the environment, of any pollutant, contaminant, chemical, industrial toxin, Hazardous Substance or Solid Waste.

(c) To the Knowledge of the Specified U.S. Propane Persons, except as set forth in Section 4.19 of the Disclosure Letters, there are no (i) underground storage tanks, known contamination of soil or groundwater, or known or suspected asbestos or asbestos-containing materials on any property owned or leased by the Contributed Subs, (ii) pending or threatened complaints, suits, actions or demand letters by any third party or Governmental Authority relating to any alleged violation of Applicable Environmental Law by any Contributed Sub, (iii) Permits required of the Contributed Subs under Applicable Environmental Laws to own, lease or operate their properties and conduct their Business the terms and conditions of which the Contributed Subs have violated or are violating (except, in each case as would not have a U.S. Propane Material Adverse Effect), or (iv) real estate sites transferred under this Agreement (other than by lease of the properties identified in an appendix to Exhibit 7.2(l)) that has been used as a manufactured gas plant site.

4.20 INSURANCE. Except as would not have a U.S. Propane Material Adverse Effect, the Contributed Subs and their respective Affiliates have fire, liability, casualty, product liability and other insurance coverage with respect to the Transferred Assets and Business sufficient to satisfy all material requirements of Applicable Laws and any agreements, arrangements or understandings to which any of the U.S. Propane Entities, and that is customary for businesses of similar size engaged in similar lines of business.

4.21 FINANCIAL REQUIREMENTS. There are no currently effective bonds, deposits, financial assurance requirements or insurance coverages required to be submitted to Governmental Authorities or any third parties for the continued ownership and operation (or assignment to Heritage OLP) of the Transferred Assets or Business.

4.22 BOOKS AND RECORDS. To the actual knowledge of the Specified U.S. Propane Persons, all the books and records of the U.S. Propane Entities relating to the Business, including all personnel files, employee data and other materials relating to the Employees, are substantially complete and correct in all material respects and have been in all material respects maintained in accordance with good business practice and all Applicable Laws. To the actual knowledge of the Specified U.S. Propane Persons, such books and records accurately and fairly reflect, in reasonable detail, all material transactions, assets and liabilities of the Contributed Subs and the Business.

4.23 INVESTMENT INTENT. The LP is acquiring the Heritage OLP Interests and Common Units to be acquired by it at the Closing for its own account for investment and not with a view to, or for sale or other disposition in connection with, any public distribution of all or any part thereof. The LP has reviewed the SEC Reports described in Section 3.1 and the Heritage MLP Partnership Agreement and has had such opportunity as deemed necessary by the LP and its advisors and affiliates to ask questions of the Heritage Entities and their affiliates, officers and employees to enable the LP to make an investment decision concerning the receipt of the Heritage OLP Interests and the Common Units, the operation of Heritage MLP, and the investment risks associated with the LP's investment in Heritage MLP. The LP, by entering into this Agreement, (a) requests admission as a limited partner of Heritage MLP and agrees to comply with, and be bound by, and hereby executes, the Heritage MLP Partnership Agreement, (b) represents and warrants that the LP has all right, power and authority and the capacity necessary to enter into the Heritage MLP Partnership Agreement, (c) appoints the Heritage GP of Heritage MLP and, if a Liquidator shall be appointed, the Liquidator of Heritage MLP as the LP's attorney-in-fact to execute, swear to, acknowledge and file any document, including, without limitation, the Heritage MLP Partnership Agreement and any amendment thereto, necessary or appropriate for the LP's admission as an Additional Limited Partner and as a party to the Heritage MLP Partnership Agreement, (d) gives the power of attorney provided for in the Heritage MLP Partnership Agreement and (e) makes the waivers and gives the consents and approvals contained in the Heritage MLP Partnership Agreement. Capitalized terms not defined in this paragraph have the meanings assigned to such terms in the Heritage MLP Partnership Agreement.

4.24 EMPLOYEE MATTERS.

(a) To the actual knowledge of the Specified U.S. Propane Persons, except as set forth on Section 4.24 of the Disclosure Letters, none of the Contributed Subs has violated any federal, state or local law relating to discrimination in the hiring, promotion or pay of employees nor any applicable wage or hour laws, nor any provisions of ERISA or the rules and regulations promulgated thereunder, nor has any of the Contributed Subs engaged in any unfair labor practice, which in each case would have a U.S. Propane Material Adverse Effect; there is (i) no unfair labor practice complaint pending against any of the Contributed Subs or, to the best knowledge of the LP, threatened against any of them, before the National Labor Relations Board or any state or local labor relations board, and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement pending against any of the Contributed Subs or, to the best knowledge of the LP, threatened against any of them, (ii) no significant strike, labor dispute, slowdown or stoppage pending against any of the Contributed Subs and (iii) except as described in Section 4.24 of the Disclosure Letters, none of the Contributed Subs has any obligation or liability under union pension plans or collective bargaining agreements related to its Employees or Business that will be an obligation or liability of or binding on any of the Contributed Subs after the Closing, except in the cases of clauses (i), (ii) and (iii) such complaints, grievances, arbitration proceedings, strikes, labor disputes, slowdowns, stoppages, questions, or liabilities which if determined adversely to

the U.S. Propane Entities, would not individually or in the aggregate result in a U.S. Propane Material Adverse Effect.

(b) As of Closing, there will be no employment agreements in excess of $75,000 per annum in salary and noncompete agreements to which any of the Contributed Subs is a party or by which any of such Persons is bound.

(c) The Employees constitute all employees who are reasonably necessary to be employed for the operation of the Transferred Assets or Business of the Contributed Subs as currently conducted.

4.25 CONSENTS. Section 4.25 of the Disclosure Letters sets forth each of the consents, approvals, orders, authorizations and waivers of, and declarations, filings and registrations with, all third parties (including Governmental Authorities) that are necessary or required to permit the transfer of the Transferred Assets and Contributed Interests to the LP as contemplated by this Agreement and otherwise to consummate the transactions contemplated hereby (the "Consents"). Exhibit 7.1(e) includes all of the Consents that, if not obtained and in full force and effect at the time of the Closing, could result in a Material Adverse Effect on the Business.

4.26 CONTRIBUTED SUBS.

(a) With respect to a Contributed Sub that is a limited liability company, no election has been made to treat such Contributed Sub as a corporation for federal, state or local income tax purposes.

(b) With respect to each Contributed Sub, the aggregate amount of debt and other liabilities to which it is subject for the items specified on Section 4.26 of the Disclosure Letters shall not exceed, in the aggregate, the amount of debt set forth for such Contributed Sub on Section 4.26 of the Disclosure Letters.

4.27 DISCLOSURE. Neither this Agreement nor any Schedule or Exhibit hereto nor any other certificate or instrument delivered to the Heritage Entities by or on behalf of the LP in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein not misleading.

4.28 EMPLOYEE BENEFIT PLANS.

(a) To the Knowledge of the Specified U.S. Propane Persons, Schedule 4.28 contains a true and complete list of all employee benefit plans (within the meaning of Section 3(3) of ERISA), and all bonus, stock option, stock purchase, restricted stock, incentive, deferred compensation, retiree medical or life insurance, supplemental retirement, severance or other benefit plans, programs or arrangements, and all employment, termination, severance or other contracts or agreements to which any of the U.S. Propane Entities is a party, with respect to which any of the U.S. Propane Entities has any liability or which are maintained, contributed to or sponsored by any of the U.S.

Propane Entities for the benefit of any current or former employee, officer or director of any of the U.S. Propane Entities (collectively, referred to herein as the "U.S. Propane Plans"). To the Knowledge of the Specified U.S. Propane Persons, except as set forth in Section 4.28 of the Disclosure Letters, none of the U.S. Propane Entities has any express or implied commitment (i) to create, incur liability with respect to or cause to exist any other employee benefit plan, program or arrangement, (ii) to enter into any contract or agreement to provide compensation or benefits to any individual or (iii) to modify, change or terminate any U.S. Propane Plan, other than with respect to a modification, change or termination required by ERISA or the Code.

(b) To the Knowledge of the Specified U.S. Propane Persons, except as set forth in Section 4.28 of the Disclosure Letters, none of the Plans is a multiemployer plan, within the meaning of Section 3(37) or 4001(a)(3) of ERISA, or is a single employer pension plan, within the meaning of Section 4001(a)(15) of ERISA, for which any of the U.S. Propane Entities could incur liability under Section 4063 or 4064 of ERISA. Except to the extent set forth in the U.S. Propane Plans listed in Schedule 4.28, none of the U.S. Propane Plans (i) provides for the payment of separation, severance, termination or similar-type benefits to any person, (ii) obligates any U.S. Propane Entity to pay separation, severance, termination or other benefits as a result of the transaction or (iii) obligates any U.S. Propane Entity to make any payment or provide any benefit that could be subject to a tax under Section 4999 of the Code. To the Knowledge of the Specified U.S. Propane Persons, except as set forth in Section 4.28 of the Disclosure Letters, none of the U.S. Propane Plans provides for or promises retiree medical, disability or life insurance benefits to any current or former employee, officer or director of any U.S. Propane Entity.

(c) To the Knowledge of the Specified U.S. Propane Persons, each U.S. Propane Plan which is intended to be qualified under Section 401(a) or 401(k) of the Code is and has always been so qualified.

(d) To the Knowledge of the Specified U.S. Propane Persons, except as set forth on Section 4.28 of the Disclosure Letters, each U.S. Propane Plan is now and always has been operated in all respects in accordance with the requirements of Applicable Law, including, without limitation, ERISA and the Code, and each Contributed Sub has performed all obligations required to be performed by it under such U.S. Propane Plan, is not in any respect in default under or in violation of, and has no knowledge of any default or violation by any party to, any U.S. Propane Plan. To the Knowledge of the Specified U.S. Propane Persons, except as set forth on Section 4.28 of the Disclosure Letters, no U.S. Propane Plan is subject to Title IV of ERISA or Section 412 of the Code.

(e) To the Knowledge of the Specified U.S. Propane Persons, with respect to each U.S. Propane Plan, there are no prohibited transactions or breaches of fiduciary duties that could result in liability (directly or indirectly) for any U.S. Propane Entity.

(f) To the Knowledge of the Specified U.S. Propane Persons, except as set forth on Section 4.28 of the Disclosure Letters, each U.S. Propane Plan may be unilaterally terminated at any time by a U.S. Propane Entity without material liability, other than for benefits accrued prior to such termination.

(g) To the Knowledge of the Specified U.S. Propane Persons, except as set forth in Section 4.28 of the Disclosure Letters, all contributions to, and payments from, each U.S. Propane Plan that are required to be made in accordance with the terms of the U.S. Propane Plan and Applicable Law have been timely made.

(h) For the purposes of this Section 4.28, the Specified U.S. Propane Persons have made appropriate inquiry of employees of the Contributed Subs at the level of regional manager or above.

4.29 FINDER'S FEES. None of the Contributed Subs, the LP, the LLC, or any of their respective Affiliates, are obligated (directly or indirectly) under any agreement with any Person that would obligate Heritage GP, any of the Heritage GP Stockholders or any of the Heritage Entities to pay any commission, brokerage or "finder's fee" in connection with the transactions contemplated herein.

4.30 REGULATION. Except as set forth in Section 4.30 of the Disclosure Letters, neither the LP nor any of the Contributed Subs is now, or after the consummation of the transactions contemplated by this Agreement and application of the net proceeds thereof will be, (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 "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" thereof, within the meaning of the Public Utility Holding Company Act of 1935, as amended.

ARTICLE 5
AGREEMENTS

The LP hereby covenants and agrees with each of the Heritage Parties to the effect set forth in Sections 5.1 to 5.3 and Section 5.6. The Heritage Parties hereby covenant and agree, jointly and severally, with the LP to the effect set forth in Sections 5.4 and 5.5.

5.1 CONDUCT AND PRESERVATION OF THE BUSINESS OF THE LP. Except as expressly provided in this Agreement, or except as listed in Section 5.1 of the Disclosure Letters, and except for any distribution or transfer of an Excluded Asset during the period from the date hereof to the Closing Date, the LP shall (a) conduct the Business substantially as it is being conducted on the date hereof; (b) use its commercially reasonable best efforts to preserve, maintain and protect the Transferred Assets and Business consistent with available resources; (c) use its commercially reasonable best efforts to preserve intact the business organization of the Contributed Subs and the Business, consistent with its available resources, to keep available the services of the

Employees and to maintain existing relationships with suppliers, contractors, distributors, customers and others having business relationships with the Contributed Subs or the Business; and (d) permit the Heritage Entities to conduct safety training with employees of the Contributed Subs.

5.2 RESTRICTIONS ON CERTAIN ACTIONS OF THE LP, THE LLC AND THE CONTRIBUTED SUBS. Without limiting the generality of Section 5.1, except as listed in Section 5.1 of the Disclosure Letters and except as otherwise expressly contemplated by this Agreement (including Sections 2.1, 2.2 and 2.3), the Stock Purchase Agreement, the Subscription Agreement and the Formation Agreement, from and after the date hereof and until the Closing Date, none of the LLC, the LP or any Contributed Sub, without the approval of Heritage OLP, shall, with respect to the Contributed Subs, the Transferred Assets or the Business of the U.S. Propane Parties, or shall cause or permit any of the Contributed Subs to:

(a) make any expenditures outside the ordinary course of business consistent with past practice which, individually or in the aggregate, exceed $100,000;

(b) make any material change in the ongoing operations of the Transferred Assets or Business;

(c) create, incur, guarantee or assume any indebtedness for borrowed money outside the ordinary course business;

(d) mortgage or pledge any of the Transferred Assets or Contributed Interests or create or suffer to exist any Encumbrance thereupon, other than Permitted Encumbrances;

(e) sell, lease, transfer or otherwise dispose of, directly or indirectly, any of the Transferred Assets, except in the ordinary course of business consistent with past practice, or sell, lease, transfer, or otherwise dispose of any fixed assets, whether or not in the ordinary course of business, which have a value, individually or in the aggregate, in excess of $100,000;

(f) enter into any lease, contract, agreement, commitment, arrangement or transaction relating to the Transferred Assets other than in the ordinary course of business;

(g) amend, modify or change any existing lease or Contract relating to the Transferred Assets, other than in the ordinary course of the business consistent with past practice;

(h) waive, release, grant or transfer any rights of value relating to the Transferred Assets, Contributed Interests or Business, other than in the ordinary course of the business consistent with past practice;

(i) except in the ordinary course of business, hire any new employees or recall any laid-off employees;

(j) delay payment of any account payable or other liability relating to the Transferred Assets or Business beyond the later of its due date or the date when such liability would have been paid in the ordinary course of business consistent with past practice, unless such delay is due to a good faith dispute as to liability or amount;

(k) permit any current insurance or reinsurance or continuation coverage to lapse if such policy insures risks, contingencies or liabilities (including product liability) related to the Transferred Assets or Business;

(l) except as set forth in this Section 5.2, take any action which would make any of the representations or warranties of the LP untrue as of any time from the date of this Agreement to the date of the Closing, or would result in any of the conditions set forth in this Agreement not being satisfied;

(m) authorize or propose, or agree in writing or otherwise take, any of the actions described in this Section 5.2;

(n) merge into or with or consolidate with any other corporation or acquire all or substantially all of the business or assets of any corporation or other Person;

(o) purchase any securities of any corporation or other Person;

(p) take any action or enter into any commitment with respect to or in contemplation of any liquidation, dissolution, recapitalization, reorganization, or other winding up of the Business;

(q) create any employee benefit plans (within the meaning of Section 3(3) of ERISA) or any other employee benefit plan or program not subject to ERISA, except as required by law;

(r) enter into or take any action in connection with hedges, trades or swaps of any commodity, except to the extent consistent with the provisions of the Hedging Policy; or

(s) take any actions prohibited on the part of a Contributed Sub by Section 5.2 of the Formation Agreement (and the LP will not waive any such restrictions without the approval of Heritage OLP).

5.3 SERVICES OF EMPLOYEES. Between the date hereof and the Closing, the LP (or its Affiliates) shall use its reasonable best efforts to keep available the services of the Employees, and shall not, except in accordance with past practice and existing business policy, terminate any such Employees.

5.4 CONDUCT AND PRESERVATION OF THE BUSINESS. Except as expressly provided in this Agreement, the Stock Purchase Agreement and the Subscription Agreement, the Heritage Parties shall (a) cause the Heritage Entities to conduct the Business substantially as it is being conducted on the date hereof; (b) use their commercially reasonable best efforts to cause the Heritage Entities to preserve, maintain and protect the assets of the Heritage Entities and Business consistent with available resources; and (c) use their commercially reasonable best efforts to cause the Heritage Entities to preserve intact the business organization of the Heritage Entities and the Business, consistent with its available resources, to keep available the services of the employees of the Heritage Entities and to maintain existing relationships with suppliers, contractors, distributors, customers and others having business relationships with the Heritage Entities.

5.5 RESTRICTIONS ON CERTAIN ACTIONS OF THE HERITAGE PARTIES AND HERITAGE GP. Without limiting the generality of Section 5.4, except as otherwise expressly contemplated by this Agreement, the Stock Purchase Agreement, the Subscription Agreement and the Debt Financing, from and after the date hereof and until the Closing Date, without the approval of the LP, with respect to the Business of the Heritage Entities:

(a) Neither of the Heritage Parties nor Heritage GP shall agree to sell, transfer or otherwise dispose, or grant or agree to grant an option to purchase, sell, transfer, or otherwise dispose of any securities of any of the Heritage Entities.

(b) Except as set forth on Schedule 5.5, neither of the Heritage Parties nor Heritage GP shall, or shall cause or permit any of the Heritage Entities to:

(i) make any expenditures outside the ordinary course of business consistent with past practice which, individually or in the aggregate, exceed $100,000;

(ii) make any material change in the ongoing operations of the Business;

(iii) create, incur, guarantee or assume any indebtedness for borrowed money outside the ordinary course business, except for Permitted Loans;

(iv) mortgage or pledge any of the securities of any of the Heritage Entities or create or suffer to exist any Encumbrance thereupon, other than Permitted Encumbrances;

(v) sell, lease, transfer or otherwise dispose of, directly or indirectly, any assets, except in the ordinary course of business consistent with past practice, or sell, lease, transfer, or otherwise dispose of any fixed assets, whether or not in the ordinary course of business, which have a value, individually or in the aggregate, in excess of $100,000;

(vi) enter into any lease, contract, agreement, commitment, arrangement or transaction relating to the assets other than in the ordinary course of business;

(vii) amend, modify or change any existing lease or contract, other than in the ordinary course of the business consistent with past practice;

(viii) waive, release, grant or transfer any rights of value relating to the Business, other than in the ordinary course of business consistent with past practice;

(ix) hire or promote from within any executive employees or, except in the ordinary course of business, hire any new employees or recall any laid-off employees;

(x) delay payment of any account payable or other liability relating to the Business beyond the later of its due date or the date when such liability would have been paid in the ordinary course of business consistent with past practice, unless such delay is due to a good faith dispute as to liability or amount;

(xi) permit any current insurance or reinsurance or continuation coverage to lapse if such policy insures risks, contingencies or liabilities (including product liability) related to the Business;

(xii) except as set forth in this Section 5.5, take any action which would make any of the representations or warranties of any of the Heritage Parties untrue as of any time from the date of this Agreement to the date of the Closing, or would result in any of the conditions set forth in this Agreement not being satisfied;

(xiii) authorize or propose, or agree in writing or otherwise take, any of the actions described in this Section 5.5;

(xiv) merge into or with or consolidate with any other corporation or acquire all or substantially all of the business or assets of any corporation or other Person;

(xv) purchase any securities of any corporation or other Person;

(xvi) take any action or enter into any commitment with respect to or in contemplation of any liquidation, dissolution, recapitalization, reorganization, or other winding up of the Business;

(xvii) create any employee benefit plans (within the meaning of Section 3(3) of ERISA) or any other employee benefit plan or program not subject to ERISA, except as required by law;

(xviii) declare any distribution or dividend or issue any securities, other than regular quarterly cash distributions by Heritage MLP of Available Cash at a rate of $0.5625 per Common Unit and Subordinated Unit (with a proportionate distribution to Heritage GP in respect of its general partner interests in Heritage MLP and Heritage OLP);

(xix) enter into or take any action in connection with hedges, trades or swaps of any commodity, except in accordance with the Hedging Policy; or

(xx) take any of the actions described in Section 3.3.

5.6 HERITAGE GP SHARES. The LP agrees that, without the consent of FHS Investments, L.L.C., a Nevada limited liability company, which consent will not unreasonably be withheld, the LP will not sell or transfer the Heritage GP Shares prior to the first anniversary of the Closing Date, except in connection with the admission of the LP as a general partner of Heritage OLP or Heritage MLP or any restructuring, recapitalization or business combination in which the LP continues as a surviving entity.

ARTICLE 6
ADDITIONAL AGREEMENTS

The LP hereby covenants and agrees with the Heritage Parties as follows:

6.1 ACCESS TO INFORMATION, CONFIDENTIALITY.

(a) Between the date hereof and the Closing, the LP (i) shall give each of the Heritage Parties and their respective authorized representatives reasonable access to all Employees and all facilities and all books and records relating to the Contributed Subs, Transferred Assets and Business, (ii) shall permit each of the Heritage Parties and their respective authorized representatives to make such inspections of the Transferred Assets as they may reasonably require to verify the accuracy of any representation or warranty contained in Article 4 and (iii) shall furnish each of the Heritage Parties and their respective authorized representatives with such financial and operating data and other information with respect to the Transferred Assets and Business as any such Party may from time to time reasonably request; provided, however, that the LP shall have the right to have a representative present at all times of any such inspections or examinations conducted at the offices or other facilities of the LP or its Affiliates.

(b) The Confidentiality Agreement dated February 25, 2000, by and among the LP, the LLC and the Heritage Parties shall remain in full force and effect as set out therein until the Closing.

6.2 THIRD PARTY CONSENTS. Between the date hereof and the Closing, the LP shall use its commercially reasonable best efforts to obtain all of the Consents. "Commercially reasonable best efforts" or any phrase of similar tenor as used in this Agreement or any Ancillary Agreement shall mean such good faith efforts as are

commercially reasonable, comparing the cost and expense of the efforts to the benefit to be gained (without regard to the identity of the beneficiary).

6.3 RELEASE OF LIENS. Between the date hereof and the Closing, the LP shall obtain full releases of any Encumbrances on the Contributed Interests and Transferred Assets other than Permitted Encumbrances.

6.4 PUBLIC ANNOUNCEMENTS. Between the date hereof and the Closing, except as may be required by Applicable Law or stock exchange rule, none of the Parties or any of their respective Affiliates or representatives shall issue any press release or otherwise make any public statement with respect to this Agreement or the transactions contemplated hereby without the prior written consent of each of the other Parties.

6.5 ACCESS TO RECORDS AFTER CLOSING. For a period of six years from and after the Closing Date, the LP and its Affiliates and representatives shall have reasonable access to inspect and copy all books and records relating to the Contributed Interests and Transferred Assets to the extent that such access may reasonably be required in connection with matters relating to or affected by the operation of the Business prior to the Closing Date. The Heritage Parties shall afford such access upon receipt of reasonable advance notice and during normal business hours. If the Heritage Parties desire to dispose of any of such books and records prior to the expiration of such period, the Heritage Parties shall, prior to such disposition, give the LP a reasonable opportunity, at their expense, to segregate and remove such books and records as they may select. The LP shall be solely responsible for any costs or expenses incurred by it pursuant to this Section 6.5.

6.6 FEES AND EXPENSES. Except as otherwise expressly provided in this Agreement, each Party shall pay its own fees and expenses (including (a) its own internal company expenses, including all salaries and expenses of its employees performing legal or accounting duties and (b) the fees and expenses of counsel, financial advisors, accountants and others engaged by such Party), incurred in connection with the negotiation, execution and delivery of this Agreement and the transactions contemplated hereby, whether or not the Closing shall have occurred.

6.7 TAXES; OTHER CHARGES.

(a) All sales, use, registration, stamp, property transfer, transfer and similar Taxes (including any real estate transfer Taxes) incurred in connection with the consummation of the transactions contemplated by this Agreement shall be borne by Heritage OLP. Each Party agrees to cooperate in the filing of all necessary documentation and returns with respect to all such Taxes.

(b) If the Closing occurs, the Heritage Parties shall pay all real and personal property Taxes attributable to the Transferred Assets that are due after the Closing Date, whether accruing prior to or after the Closing Date; provided, however, that the LP shall pay to the Heritage Parties with respect to the Transferred Assets, all such Taxes

attributable to any period or periods prior to the Closing Date. The Heritage Parties shall credit the LP for the amounts of such Taxes pursuant to the Net Working Capital true-up mechanism set forth in Section 2.6, if any, paid by the LP or its Affiliates and attributable to periods after the Closing Date. For the taxable period within which the Closing Date occurs, the real and personal property Taxes attributable to the portion of the period prior to the Closing Date shall be considered to be the amount of such Taxes for the entire taxable period in which the Closing Date occurs, multiplied by a fraction, the numerator of which is the number of days in the portion of such period ending on the Closing Date and the denominator of which is the number of days in the entire period.

(c) The Heritage Parties and the U.S. Propane Parties will provide each other Party with such assistance as may reasonably be requested in connection with preparation of any Tax Return, audit or other examination by any taxing authority or judicial or administrative proceeding relating to liability for any Taxes, will each retain and provide to the other Party all records and other information that may be relevant to any such Tax Return, audit or examination, proceeding or determination and will each provide each other Party with any final determination of any such audit or examination, proceeding or determination that affects any amount required to be shown on any Tax Return of such other Party for any period. Without limiting the generality of the foregoing, the LP and the LLC will retain, until the expiration of the applicable statutes of limitation (including any extensions thereof), copies of all Tax Returns, supporting work schedules and other records relating to Tax periods or portions thereof ending on or prior to the Closing Date.

6.8 INSURANCE. The Heritage Parties shall use commercially reasonable best efforts to obtain fire, liability, casualty, product liability and other insurance coverage with respect to the Business sufficient to satisfy all material requirements of Applicable Laws and any agreements, arrangements or understandings to which any of the U.S. Propane Entities is a party, and which is customary for businesses of similar size engaged in similar lines of business, effective on and after the Closing Date on arm's-length terms acceptable to Heritage OLP and maintain such coverage at the request and expense of Heritage OLP and Heritage MLP.

6.9 EMPLOYMENT MATTERS. Prior to the Closing, the Parties will take such actions with respect to Employees, benefit plans and other employment matters as they mutually determine to be appropriate.

6.10 AMENDMENT OF DISCLOSURE LETTERS AND SCHEDULES. The LP (with respect to the Disclosure Letters) and the Heritage Parties (with respect to the Schedules in Article 3) shall have the continuing obligation until the Closing to amend or supplement promptly the Disclosure Letters or such Schedules with respect to any matter hereafter arising or discovered that, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Disclosure Letters or such Schedules. For all purposes of this Agreement, including for purposes of determining whether the conditions set forth in Section 7.1(a) and Section 7.2(a) have been fulfilled, the Disclosure Letters and such Schedules shall be deemed to include only that information contained therein on the date of this Agreement and shall be deemed to exclude all

information contained in any supplement or amendment thereto. If the Closing shall occur, then all matters disclosed pursuant to any such supplement or amendment at or prior to the Closing shall be waived, and the Disclosure Letters and the Schedules as so supplemented or amended at the time of the Closing shall thereafter constitute the Disclosure Letters and Schedules for purposes of this Agreement.

6.11 TRADEMARKS, LOGOS, ETC. The Heritage Parties will have the right to use all trademarks, service marks, trade names, service names and logos of the Business of the Contributed Subs, as set forth on Schedule 6.11 (the "Trademarks"), for a period of 180 days after the Closing. After such 180-day period, the Heritage Parties will have the continuing right to use the Trademarks, except that any of the members of the LLC may elect to terminate such right after 90 days' written notice to Heritage OLP.

6.12 EMPLOYEE BENEFITS. The LP will be responsible for and hold harmless the Heritage Entities from and against any claims in respect of payment to employees of all salary, wages, commissions, overtime, or bonuses, plus any applicable payroll taxes and any and all other employee benefits accruing to the Selected Employees under applicable wage and hour laws and employee benefit plans of any of the Contributed Subs including, but not limited to, workman's compensation, medical, retirement, and profit sharing, all to (but not including) the Closing Date. LP will pay the Selected Employees for their services to (but not including) the Closing Date, including but not limited to, wages, commissions and bonuses.

6.13 FINANCIAL STATEMENTS. Within 60 days after the Closing Date, the LP will provide to Heritage OLP the financial statements of the Contributed Subs required to be filed in accordance with the Exchange Act, the Exchange Act Regulations and the Securities Act.

6.14 FINANCING. Heritage OLP will use its best efforts promptly to obtain Debt Financing of not less than $171.395 million on terms that are consistent in all material respects with the term sheet attached as Exhibit 6.14.

6.15 INQUIRY.

(a) Within 15 days after the date of this Agreement, the Specified Heritage Persons shall make appropriate inquiry of each employee of the Heritage Entities at the level of regional manager or above as to the matters set forth in Section 3.20 and shall amend Schedule 3.20 if required in accordance with Section 6.10.

(b) Within 15 days after the date of this Agreement, the Specified U.S. Propane Persons shall make appropriate inquiry of each employee of the Contributed Subs at the level of regional manager or above as to the matters set forth in Section 4.19 and shall amend Section 4.19 of the Disclosure Letters if required in accordance with Section 6.10.

6.16 ACTIONS BY PARTIES. Each Party agrees to use commercially reasonable best efforts to satisfy the conditions to Closing set forth in Article 7 and to use its

commercially reasonable best efforts to refrain from taking any action within its control that would cause a breach of a representation, warranty, covenant or agreement set forth in this Agreement.

6.17 VOTE OF COMMON UNITS. Heritage GP and the LP and their respective successors and assigns hereby covenant and agree to vote all of their Common Units, at each meeting or other vote of holders of the Common Units of Heritage MLP, with respect thereto, for approval of the conversion of Class B Subordinated Units to Common Units, for the admission of the LP or its designee as general partner of Heritage MLP, and for any amendment to the Heritage MLP Partnership Agreement related thereto.

6.18 LISTING. Heritage MLP shall use its best efforts to list the Common Units on the New York Stock Exchange, prior to the Closing Date, subject to official notice of issuance.

ARTICLE 7
CONDITIONS TO OBLIGATIONS OF THE PARTIES

7.1 CONDITIONS TO CLOSING OF THE LP. The obligations of the LP to consummate the transactions contemplated by this Agreement at the Closing shall be subject to the fulfillment by each of the Heritage Parties on or prior to the Closing Date of each of the following conditions:

(a) Representations and Warranties True. All the representations and warranties of the Heritage Parties contained in this Agreement, and in any agreement, instrument or document delivered by any of the Heritage Parties pursuant to this Agreement on or prior to the Closing Date shall be true and correct, individually and in the aggregate, in all material respects (other than any representation or warranty that is qualified by materiality or a Heritage Material Adverse Effect, which shall be true and correct in all respects) as of the date of this Agreement and as of the Closing Date.

(b) Covenants and Agreements Performed. Each of the Heritage Parties shall have performed and complied with, in all material respects, all covenants and agreements required by this Agreement to be performed or complied with by it.

(c) Certificates. The LP shall have received a certificate from each of the Heritage Parties, in substantially the form set forth in Exhibit 7.1(c), dated the Closing Date, representing and certifying that the conditions set forth in Sections 7.1(a) and 7.1(b) have been fulfilled and a certificate as to the incumbency of the officers executing this Agreement on behalf of the Heritage Parties.

(d) Legal Proceedings. No preliminary or permanent injunction or other order, decree or ruling issued by a Governmental Authority, and no statute, rule, regulation or executive order promulgated or enacted by a Governmental Authority, shall be in effect that restrains, enjoins, prohibits or otherwise makes illegal the consummation of the transactions contemplated hereby. No Proceeding before a Governmental

Authority shall be pending (A) seeking to restrain or prohibit the consummation of the transactions contemplated hereby or (B) that could reasonably be expected, if adversely determined, to impose any material limitation on the ability of the LP to convey the Contributed Interests or to receive full payment therefor.

(e) Consents. All Consents set forth on Exhibit 7.1(e) shall have been obtained or made and shall be in full force and effect as to the Heritage Parties at the time of the Closing.

(f) No Material Adverse Effect. Since the date of this Agreement, there shall not have been any event or condition having a Heritage Material Adverse Effect.

(g) Deliveries. Heritage OLP shall have delivered the Instruments of Conveyance.

(h) Certain Ancillary Agreements. Each of the Ancillary Agreements listed below shall have been executed and delivered by (if a party thereto) Heritage OLP and the Heritage GP Stockholders:

(i) the Employment Agreements and Consulting Agreement (the "Employment Agreements"), substantially in the form agreed as of the date of this Agreement; and

(ii) the Registration Rights Agreement, substantially in the form of Exhibit 6.1(d) to the Subscription Agreement.

The foregoing are the "Ancillary Agreements."

(i) Debt Financing. At Closing, Heritage OLP will have available to it Debt Financing on terms that are consistent in all material respects with Exhibit 6.14 in an amount sufficient to permit Heritage OLP to pay the Cash Purchase Price.

(j) Amendment to Heritage MLP Partnership Agreement. Amendment No. 1 shall have been duly executed and adopted and shall be in full force and effect.

(k) HSR Waiting Period. If applicable, the waiting period under the HSR Act applicable to the consummation of the transactions contemplated hereby shall have expired or been terminated without any adverse condition attached thereto.

(l) Legal Opinions. The LP shall have received an opinion of counsel to the Heritage Parties in a reasonable and customary form to be agreed by the Parties.

(m) Stock Purchase Agreement and Subscription Agreement. The Stock Purchase Agreement shall have been executed and delivered by the Heritage Stockholders and all conditions to closing therein (other than the closing of the transactions pursuant to this Agreement) shall have been satisfied or waived. The Subscription Agreement shall have been executed and delivered by the Heritage GP

Stockholders and all conditions to closing therein (other than the closing of the transactions pursuant to this Agreement and the Stock Purchase Agreement) shall have been satisfied or waived.

(n) Listing. The Common Units issuable to the LP pursuant to this Agreement shall have been approved for listing on the New York Stock Exchange subject to official notice of issuance.

7.2 CONDITIONS TO CLOSING OF THE HERITAGE PARTIES. The obligations of each of the Heritage Parties to consummate the transactions contemplated by this Agreement at the Closing shall be subject to the fulfillment by the LP on or prior to the Closing Date of each of the following conditions:

(a) Representations and Warranties True. All the representations and warranties of the LP contained in this Agreement, and in any agreement, instrument or document delivered by the LP pursuant to this Agreement on or prior to the Closing Date shall be true and correct, individually and in the aggregate, in all material respects (other than any representation or warranty that is qualified by materiality or an LP Material Adverse Effect, which shall be true and correct in all respects) as of the date of this Agreement and as of the Closing Date.

(b) Covenants and Agreements Performed. The LP shall have performed and complied with, in all material respects, all covenants and agreements required by this Agreement to be performed or complied with by it.

(c) Certificates. The Heritage Parties shall have received a certificate from the LP, in substantially the form set forth in Exhibit 7.2(c), executed by the LP, dated the Closing Date, representing and certifying that the conditions set forth in Sections 7.2(a) and 7.2(b) have been fulfilled and a certificate as to the incumbency of the officers executing this Agreement on behalf of the LP.

(d) Legal Proceedings. No preliminary or permanent injunction or other order, decree or ruling issued by a Governmental Authority, and no statute, rule, regulation or executive order promulgated or enacted by a Governmental Authority, shall be in effect (i) that restrains, enjoins, prohibits or otherwise makes illegal the consummation of the transactions contemplated hereby or (ii) that would impose any material limitation on the ability of Heritage OLP effectively to exercise full rights of ownership of the Contributed Interests, Businesses and Assets to be acquired by Heritage OLP under this Agreement. No Proceeding before a Governmental Authority shall be pending (A) seeking to restrain or prohibit the consummation of the transactions contemplated hereby or (B) that could reasonably be expected, if adversely determined, to impose any material limitation on the ability of Heritage OLP effectively to exercise full rights of ownership of the Contributed Interests, Businesses and Assets to be acquired by Heritage OLP under this Agreement.

(e) Consents. All Consents set forth on Exhibit 7.2(e) shall have been obtained or made and shall be in full force and effect as to the LP at the time of the Closing.

(f) No Material Adverse Effect. Since the date of this Agreement, there shall not have been any event or condition having a material adverse effect on the condition (financial or otherwise), business, prospects, properties, net worth or results of operations of the LP Entities, taken as a whole.

(g) Deliveries. The LP and its Affiliates shall have delivered the Instruments of Conveyance.

(h) Stock Purchase Agreement. The Stock Purchase Agreement shall have been executed and delivered by the LP and all conditions to closing therein (other than the closing of the transactions pursuant to this Agreement) shall have been satisfied or waived.

(i) Release of Encumbrances. All Encumbrances on the Transferred Assets and Contributed Interests, other than Permitted Encumbrances, shall have been fully released.

(j) HSR Waiting Period. If applicable, the waiting period under the HSR Act applicable to the consummation of the transactions contemplated hereby shall have expired or been terminated without any adverse condition attached thereto.

(k) Legal Opinions. The Heritage Parties shall have received an opinion of counsel to the LP in a reasonable and customary form to be agreed by the Parties.

(l) Leases. Leases shall have been executed and delivered by the applicable Affiliate of the members of the LLC, with respect to the properties identified in an Appendix to Exhibit 7.2(l), on commercially reasonable terms with representations, warranties and covenants consistent with this Agreement and an indemnity provision substantially in the form attached as Exhibit 7.2(l).

(m) Noncompetition Agreement. At or prior to Closing, the Noncompetition Agreement, substantially in the form attached as Exhibit 7.2(m), shall have been duly executed and delivered by the parties thereto.

(n) Assignment Agreement. At or prior to Closing, the Assignment of Contract, substantially in the form attached as Exhibit 7.2(n), shall have been duly executed and delivered by the LP.

(o) Application for Issuance. At the Closing, the LP will deliver the Application for Issuance of Common Units, substantially in the form attached as Exhibit 7.2(o).

(p) Debt Financing. At Closing, Heritage OLP will have available to it Debt Financing on terms that are consistent in all material respects with Exhibit 6.14 in an amount sufficient to permit Heritage OLP to pay the Cash Purchase Price.

ARTICLE 8
TERMINATION, AMENDMENT AND WAIVER

8.1 TERMINATION. This Agreement may be terminated and the transactions contemplated hereby abandoned by written notice at any time prior to the Closing in any of the following manners:

(a) concurrently with any permitted termination of the Stock Purchase Agreement or the Subscription Agreement;

(b) by written consent of each of the Parties;

(c) by any Party if the Closing has not occurred on or before August 31, 2000, unless such failure to close resulted from a breach of this Agreement by the Party or its Affiliate seeking to terminate this Agreement pursuant to this Section 8.1(c);

(d) by any Parties if (i) there is any statute, rule or regulation that makes consummation of the transactions contemplated hereby or the operation of the Business illegal or otherwise prohibited or (ii) a Governmental Authority (A) has issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby, and such order, decree, ruling or other action shall have become final and nonappealable or (B) has made any order, decree, ruling or other action consenting to or approving consummation of the transactions contemplated hereby contingent or conditional in any manner that has a Heritage Material Adverse Effect or a U. S. Propane Material Adverse Effect;

(e) by any Party, if there has been any violation or breach by any other Party (other than an Affiliate or related party of the first party) of any representation, warranty, covenant or agreement contained in this Agreement that has rendered impossible the satisfaction of any condition to the obligations of such other Party set forth in Section 7.1 or Section 7.2 and such violation or breach has neither been cured within 30 days after notice by such first Party to the other Party nor waived by the first Party;

(f) by any Party, if any other event shall occur that shall render the satisfaction of any such condition to the obligations of any other Party (other than an Affiliate or related party of the first party) impossible and such condition has not been waived by the other Parties;

(g) by the LP, (i) if the weighted average interest rate of the Debt Financing exceeds 9 percent over the life of the Debt Financing, (ii) if the weighted average term of the notes comprising the Debt Financing is less than seven years or (iii) if a firm commitment for such Debt Financing (as to weighted average interest rate, weighted

average term and principal amount) has not been obtained as of July 21, 2000 on terms that are consistent in all material respects with Exhibit 6.14;

(h) by the LP, if any amendment is made to Schedule 3.20 in accordance with Section 6.15(a);

(i) by the Heritage Parties, if any amendment is made to Section 4.19 of the Disclosure Letters in accordance with Section 6.15(b); and

(j) by the Heritage Parties if, after compliance with Section 6.14, Heritage OLP has not obtained the Debt Financing on or before August 15, 2000, on terms consistent in all material respects with Exhibit 6.14.

8.2 EFFECT OF TERMINATION. In the event of the termination of this Agreement pursuant to Section 8.1 by any Party, written notice thereof shall forthwith be given to the other Parties specifying the provision hereof pursuant to which such termination is made. In the event of termination of this Agreement for any reason, this Agreement, the Stock Purchase Agreement and the Subscription Agreement shall become void and have no effect, except that the agreements contained in this Section 8.2 and in Sections 6.1(b), 6.6 and Article 10 shall survive the termination hereof. Nothing contained in this Section 8.2 shall relieve any Party from liability for any willful breach of this Agreement.

8.3 AMENDMENT. This Agreement may not be amended except by an instrument in writing signed by each of the Parties.

8.4 WAIVER. Any Party may, on behalf of itself only and not on behalf of any other Party, (a) waive any inaccuracies in the representations and warranties of any other Party (other than an Affiliate or related party of the first party) contained herein or in any document, certificate or writing delivered pursuant hereto, (b) waive compliance by any other Party (other than an Affiliate or related party of the first party) with any of its agreements contained herein and (c) waive fulfillment of any conditions to its obligations contained herein. Any agreement on the part of a Party to any such waiver shall be valid only if set forth in an instrument in writing signed by or on behalf of such Party. No failure or delay by a Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

ARTICLE 9
INDEMNIFICATION; SURVIVAL OF REPRESENTATIONS

9.1 INDEMNIFICATION OBLIGATIONS OF THE LP. From and after the Closing Date, the LP shall indemnify each of the Heritage Parties and their Affiliates, as the case may be, and hold such Parties harmless against and in respect of any and all Losses arising out of, based upon or resulting from:

(a) the breach of any representation or warranty of the LP contained in or made pursuant to this Agreement; and

(b) the breach by the LP or failure of the LP to observe or perform in any material respect, any of its covenants or agreements contained in this Agreement.

Notwithstanding the foregoing, the LP will not have any obligation to indemnify any of the Heritage Parties or their Affiliates for Losses under Section 9.1(a) unless and until the aggregate amount of all such Losses under Section 9.1(a) exceeds $200,000 (regardless of whether, in the case of third party actions, suits or proceedings with respect to any of the foregoing, the LP may have a meritorious defense), at and after which time the LP shall be liable for all Losses in excess of $200,000. The rights and remedies of the Heritage Parties based upon, arising out of or otherwise in respect of any clause of this Section 9.1 or any representation, warranty or covenant in this Agreement shall in no way be limited by the fact that the act, omission, occurrence or other state of facts upon which any such claim is based may also be the subject matter of any representation, warranty or covenant in this Agreement that would not give rise to any rights or remedies of the Heritage Parties.

9.2 INDEMNIFICATION OBLIGATIONS OF THE HERITAGE PARTIES. From and after the Closing Date, the Heritage Parties, jointly and severally, shall indemnify the LP, the LLC, their members and partners and their respective Affiliates and controlling Persons (the "U.S. Propane Indemnified Parties"), as the case may be, and hold such Persons harmless against and in respect of any and all Losses arising out of, based upon or resulting from:

(a) the breach of any representation or warranty of the Heritage Parties contained in or made pursuant to this Agreement; and

(b) the breach by any of the Heritage Parties or failure of any of the Heritage Parties or any of their Affiliates to observe or perform in any material respect, any of their covenants or agreements contained in this Agreement.

Notwithstanding the foregoing, none of the Heritage Parties will have any obligation to indemnify the U.S. Propane Indemnified Parties for Losses under Section 9.2(a) unless and until the aggregate amount of all such Losses under Section 9.2(a) exceeds $200,000 (regardless of whether, in the case of third party actions, suits or proceedings with respect to any of the foregoing, any of the Heritage Parties may have a meritorious defense), at and after which time the Heritage Parties shall be liable, jointly and severally, for all Losses in excess of $200,000. The rights and remedies of the U.S. Propane Indemnified Parties based upon, arising out of or otherwise in respect of any clause of this Section 9.2 or any representation, warranty or covenant in this Agreement shall in no way be limited by the fact that the act, omission, occurrence or other state of facts upon which any such claim is based may also be the subject matter of any representation, warranty or covenant in this Agreement that would not give rise to any rights or remedies of the U.S. Propane Indemnified Parties.

9.3 INDEMNIFICATION PROCEDURES.

(a) Promptly after receipt by any Person entitled to indemnification under Section 9.1 or Section 9.2 (an "indemnified Party") of notice of the commencement of any Proceeding by a Person not a Party to this Agreement in respect of which the indemnified Party will seek indemnification hereunder (a "Third Party Action"), the indemnified Party shall notify the Person that is obligated to provide such indemnification (an "indemnifying Party") thereof in writing, but any failure to so notify the indemnifying Party shall not relieve it from any liability that it may have to the indemnified Party under Section 9.1 or Section 9.2, except to the extent that the indemnifying Party is actually and materially prejudiced by the failure to give such notice. The indemnifying Party shall be entitled to participate in the defense of such Third Party Action and to assume control of such defense with counsel reasonably satisfactory to such indemnified Party; provided, however, that:

(i) the indemnified Party shall be entitled to participate in the defense of such Third Party Action and to employ counsel at its own expense to assist in the handling of such Third Party Action;

(ii) the indemnifying Party shall obtain the prior written approval of the indemnified Party, which approval shall not be unreasonably withheld or delayed, before entering into any settlement of such Third Party Action or ceasing to defend against such Third Party Action, if pursuant to or as a result of such settlement or cessation, injunctive or other equitable relief would be imposed against the indemnified Party or the indemnified Party would be adversely affected thereby;

(iii) no indemnifying Party shall consent to the entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by each claimant or plaintiff to each indemnified Party of a release from all liability in respect of such Third Party Action; and

(iv) the indemnifying Party shall not be entitled to control the defense of any Third Party Action unless within 15 days after receipt of such written notice from the indemnified Party the indemnifying Party confirms in writing its responsibility to indemnify the indemnified Party with respect to such Third Party Action and reasonably demonstrates that it will be able to pay the full amount of the reasonably expected Losses in connection with any such Third Party Action.

Except as set forth in the following sentence, after written notice by the indemnifying Party to the indemnified Party of its election to assume control of the defense of any such Third Party Action in accordance with the foregoing and compliance by the indemnifying Party with Section 9.3(a)(iv), (A) the indemnifying Party shall not be liable to such indemnified Party hereunder for any Legal Expenses subsequently incurred by such indemnified Party attributable to defending against such Third Party

Action, and (B) as long as the indemnifying Party is reasonably contesting such Third Party Action in good faith, the indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge the claim underlying, such Third Party Action without the indemnifying Party's prior written consent. If the indemnifying Party does not assume control of the defense of such Third Party Action in accordance with this Section 9.3, the indemnified Party shall have the right to defend and/or settle such Third Party Action in such manner as it may deem appropriate at the cost and expense of the indemnifying Party, and the indemnifying Party will promptly reimburse the indemnified Party therefor in accordance with this Article 9. The reimbursement of fees, costs and expenses required by this Article 9 shall be made by periodic payments during the course of the investigation or defense, as and when bills are received or expenses incurred.

(b) If the indemnifying Party shall be obligated to indemnify the indemnified Party pursuant to this Article 9, the indemnifying Party shall be subrogated to all rights of the indemnified Party with respect to the claims to which such indemnification relates. If an indemnified Party becomes entitled to any indemnification from an indemnifying Party, such indemnification shall be made in cash upon demand.

(c) The right of indemnification pursuant to this Article 9 shall constitute the sole and exclusive remedy of each of the Parties to this Agreement, other than with respect to fraud or willful breach by a Party. So long as a claim for indemnification pursuant to this Article 9 is being contested in good faith by the indemnifying Party or such claim shall otherwise remain unliquidated, such claim shall not affect any of the rights of the indemnifying Party under the LP Agreement, including any right to current distributions by the LP.

9.4 SURVIVAL. All representations, warranties, covenants and agreements contained in this Agreement shall survive (and not be affected in any respect by) the Closing, any investigation conducted by any Party and any information which any Party may receive (other than information identified in the Disclosure Letters).

(a) The right to indemnification:

(i) with respect to any breach or violation of any of the representations and warranties contained in this Agreement (other than those in Sections 3.4, 3.5, 3.6(b), 3.7, 3.9, 3.10, 3.17, 3.20, 3.25, 4.1, 4.2, 4.3, 4.4, 4.7, 4.10, 4.19 and 4.28), shall survive for one year after the date of the audit of Heritage MLP for the first full fiscal year following the Closing;

(ii) with respect to any breach or violation of any of the representations and warranties contained in Sections 3.20 and 3.25, shall survive for three years from the Closing Date;

(iii) with respect to any breach or violation of any of the representations and warranties contained in Sections 3.4, 3.5, 3.6(b), 3.7, 3.9,

3.10, 3.17, 4.1, 4.2, 4.3, 4.4, 4.7, 4.10, 4.19 and 4.28, shall survive without any time limit; and

(iv) with respect to all covenants and agreements contained in this Agreement, shall survive for the applicable statute of limitations.

(b) The expiration of any survival period under this Agreement will not affect the liability of any Party under this Article 9 for any Loss as to which a bona fide claim has been asserted prior to the termination of such survival period.

9.5 NO SPECIAL OR CONSEQUENTIAL DAMAGES. No Party shall be entitled to recover special, consequential, exemplary or punitive damages from the other Parties, and each Party hereby waives any claim or right to special, consequential, exemplary or punitive damages hereunder, even if caused by the active, passive, sole, joint, concurrent or comparative negligence, strict liability, or other fault of any Party, other than fraud or intentional misconduct.

ARTICLE 10
MISCELLANEOUS

10.1 NOTICES. All notices, requests, demands and other communications required or permitted to be given or made hereunder by any Party shall be in writing, and shall be delivered either personally, or by registered or certified mail (postage prepaid and return receipt requested) or by express courier or delivery service, or by telegram, telefax, telex or similar facsimile means, to the Parties, at the addresses (or at such other addresses as shall be specified by the Parties by like notice) set forth below:

(a) If to the LP:

(1) AGL Resources, Inc.
P.O. Box 4569
Atlanta, GA 30302
Attention: General Counsel
(404) 584-4000
(404) 584-3419 (telefax)

with a copy to:

Johnathan H. Short
Long, Aldridge & Norman LLP
One Peachtree Center
Atlanta, GA 30308
(404) 527-8553
(404) 527-4198 (telefax)

(2) Atmos Energy Corporation
5430 LBJ Freeway
1800 Three Lincoln Centre
Dallas, TX 75240
Attention: J. Patrick Reddy
(972) 934-9227
(972) 855-3793 (telefax)

with a copy to:

Irwin F. Sentilles, III
Gibson, Dunn & Crutcher LLP
2100 McKinney, Suite 1100
Dallas, TX 75201 (214)
698-3100 (214) 571-2956 (telefax)

(3) TECO Energy, Inc.
702 N. Franklin St.
Tampa, FL 33602
Attention: General Counsel
(813) 221-4942
(913) 228-1328 (telefax)

with a copy to:

Stanley Keller
Palmer & Dodge LLP
One Beacon Street
Boston, MA 02108
(617) 573-0100
(617) 227-4420 (telefax)

(4) Piedmont Natural Gas Company, Inc.
1915 Rexford Road
Charlotte, NC 28211
Attention: David J. Dzuricky
(704) 364-3120
(704) 365-8515 (telefax)

with a copy to:

Jerry W. Amos
Amos, Jeffries & Robinson L.L.P.
PMB 317
7816 Fairview Road
Charlotte, NC 28226
(704) 643-1001
(704) 556-0824

(5) Andrews & Kurth L.L.P.
600 Travis
Houston, Texas 77002
Attention: G. Michael O'Leary
(713) 220-4360
(713) 220-4285 (telecopier)

(b) If to Heritage OLP or Heritage MLP:

James E. Bertelsmeyer
968 Spinnaker's Reach Drive
Ponte Vedra Beach, Florida 32082
918-492-7272
918-493-7290 (telecopier)

H. Michael Krimbill
8801 South Yale, Suite 310
Tulsa, Oklahoma 74137
918-492-7272
918-493-7290 (telecopier)

with a copy to:

Lawrence T. Chambers, Jr.
Doerner, Saunders, Daniel & Anderson L.L.P.
320 South Boston Avenue, Suite 500
Tulsa, Oklahoma 74103
918-591-5207
918-591-5360 (telecopier)

Notices and other communications shall be deemed given or made (i) when received, if sent by telegram, telefax, telex or similar facsimile means (written confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by telefax, telex or similar facsimile means) and (ii) when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by registered or certified mail or sent by express courier or delivery service, except

in the case of facsimile transmissions received after the normal close of business at the receiving location, which shall be deemed given on the next business day.

10.2 ENTIRE AGREEMENT. This Agreement and the documents referred to herein, together with the Schedules and Exhibits hereto (where applicable, as executed and delivered), constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, between the Parties with respect to the subject matter hereof.

10.3 BINDING EFFECT; ASSIGNMENT; NO THIRD PARTY BENEFIT. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned (whether by operation of law or otherwise) by any Party without the prior written consent of each of the Parties, and any purported assignment without such consent shall be void. Except as provided in Article 9, nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the Parties, and their respective successors and permitted assigns, any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

10.4 SEVERABILITY. If any provision of this Agreement is held to be unenforceable, this Agreement shall be considered divisible and such provision shall be deemed inoperative to the extent it is deemed unenforceable, and in all other respects this Agreement shall remain in full force and effect; provided, however, that if any such provision may be made enforceable by limitation thereof, then such provision shall be deemed to be so limited and shall be enforceable to the maximum extent permitted by Applicable Law.

10.5 GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas.

10.6 JURISDICTION. Subject to Section 10.10, any legal action, suit or proceeding in law or equity arising out of or relating to this Agreement or the transactions contemplated by this Agreement may only be instituted in any state or federal court located in the State of Texas, and each Party agrees not to assert, by way of motion, as a defense or otherwise, in any such action, suit or proceeding, any claim that it is not subject personally to the jurisdiction of such court, that its property is exempt or immune from attachment or execution, that the action, suit or proceeding is brought in an inconvenient forum, that the venue of the action, suit or proceeding is improper or that this Agreement, or the subject matter hereof or thereof may not be enforced in or by such court. Each Party further irrevocably submits to the jurisdiction of any such court in any such action, suit or proceeding. Any and all service of process and any other notice in any such action, suit or proceeding shall be effective against any Party if given by registered or certified mail (return receipt requested) or by any other means which requires a signed receipt in accordance with, and at the address listed in, Section 10.1. Nothing herein contained shall be deemed to affect the right of any Party to serve process in any manner permitted by law.

10.7 FURTHER ASSURANCES. From time to time following the Closing, at the request of any Party and without further consideration, the other Parties shall execute and deliver to such requesting Party such instruments and documents and take such other action as such requesting Party may reasonably request or as may be otherwise necessary to (a) more fully and effectively transfer to, and vest in, Heritage OLP or Heritage Service Sub the Transferred Assets or the Contributed Interests, (b) enable Heritage OLP or Heritage Service Sub to assume and fully and timely perform in accordance with their terms any or all of the Transferred Contracts, (c) enable Heritage OLP or Heritage Service Sub to continue the Business, and (d) otherwise consummate more fully and effectively the transactions contemplated by this Agreement and the Ancillary Agreements.

10.8 DESCRIPTIVE HEADINGS. The descriptive headings herein are inserted for convenience of reference only, do not constitute a part of this Agreement and shall not affect in any manner the meaning or interpretation of this Agreement.

10.9 COUNTERPARTS. This Agreement may be executed by the Parties in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

10.10 DISPUTE RESOLUTION. From and after the Closing, the Parties shall use the Dispute Resolution Procedures, attached as Exhibit 10.10, to resolve in good faith any dispute, controversy or claim related to this Agreement or any Ancillary Agreement, including any dispute involving the payment of indemnification pursuant to Article 9, except to the extent otherwise set forth herein. Nothing herein is intended to limit the Parties from resolving informally between them any dispute, controversy or claim that may arise, thus avoiding the necessity of using the Dispute Resolution Procedures.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the day and year first above written.

LP

U.S. PROPANE, L.P.,
A DELAWARE LIMITED PARTNERSHIP

BY: U.S. PROPANE, L.L.C.,
ITS GENERAL PARTNER

By:

Name Royston K. Eustace
Title: Vice President

LLC

U.S. PROPANE, L.L.C.,
A DELAWARE LIMITED LIABILITY COMPANY
FOR THE PURPOSES OF SECTION 5.2 AND
SECTION 6.17

By:

Name: Royston K. Eustace
Title: Vice President

Heritage OLP	HERITAGE OPERATING, L.P., A DELAWARE LIMITED PARTNERSHIP BY: HERITAGE HOLDINGS, INC. ITS GENERAL PARTNER By: --- Name: --- Title: ---
Heritage MLP	HERITAGE PROPANE PARTNERS, L.P. A DELAWARE LIMITED PARTNERSHIP BY: HERITAGE HOLDINGS, INC. ITS GENERAL PARTNER By: --- Name: --- Title: ---
Heritage GP	HERITAGE HOLDINGS, INC., A DELAWARE CORPORATION, FOR THE PURPOSES OF SECTION 5.5 By: --- Name: --- Title: ---

CONTRIBUTION AGREEMENT
EXECUTION COPY DATED JUNE 15, 2000

EXHIBIT 1.1

DEFINITIONS

"Affiliate" means, with respect to a Person, (a) any other Person more than 50 percent of whose outstanding voting securities are directly or indirectly owned, controlled or held with the power to vote by such Person or (b) any other Person directly or indirectly controlling, controlled by or under common control with such Person. The term "controls" (and the variants thereof) as used in this definition means the possession of the power, acting alone, to direct or cause the direction of the management and policies of a Person by virtue of ownership of voting securities or otherwise.

"Applicable Law" means any Law to which a specified Person or property is subject.

"Assets" means all assets and properties of the Contributed Subs of every kind, character and description, whether tangible, intangible, real, personal or mixed, and wherever located, that are owned, used or held for use on the Closing Date in connection with the Business, including the following assets and properties:

(a) all propane inventory and other inventory and supplies of any kind;

(b) all real property, together with all buildings, tanks, containers, storage facilities, structures, improvements, appurtenances, and fixtures of every kind or nature located thereon, including those identified in Section 4.14(a) of the Disclosure Letters;

(c) all rights in real property or personal property arising under leases, easements or other contracts or arrangements;

(d) all storage tanks and containers, propane cylinders, furniture, fixtures, leasehold improvements, equipment, machinery, computer hardware, supplies, materials, motor vehicles, trailers, tanks, railcars, apparatus, tools, implements, appliances and other tangible personal property, including those identified in Section 4.15 of the Disclosure Letters;

(e) all right, title and interest in, to and under (i) all Intellectual Property and Software identified in Section 4.16 of the Disclosure Letters and (ii) all Technology relating to, or used in connection with, the operation of the Business;

(f) all right, title and interest in, to and under all Permits relating to, or used in connection with, the operation of the Business, including the Permits described in Section 4.17(a) of the Disclosure Letters;

(g) all right, title and interest in, to and under the Transferred Contracts;

(h) all books and records relating to the Business, including (i) financial and accounting records, (ii) all books and records relating to Employees to the extent

permitted by Applicable Law to be transferred hereunder, other than those related to employee benefit plans and associated funding arrangements, (iii) all books and records relating to the purchase of materials, supplies and services, and (iv) all books and records relating to dealings with customers, vendors and suppliers of the Business, and including computerized books and records and other computerized storage media (or, in each case, copies thereof in accessible form or access thereto reasonably satisfactory to the Heritage Parties);

(i) all customer and potential customer lists and customer and potential customer data, vendor lists and vendor data, supplier lists and supplier data and sales and promotional material and other sales-related material relating to, or used in connection with, the operation of the Business;

(j) all rights, claims and causes of action under or pursuant to all warranties, representations, indemnifications, hold harmless provisions and guarantees made by suppliers, licensors, manufacturers or contractors in respect of the Business;

(k) all goodwill associated with the Business; and

(l) all assets included in the definition of Working Capital associated with the Business.

The material Assets of each Contributed Sub are identified in Section 1.1(a) of the Disclosure Letters.

"Average Price" means the average of the closing sales prices of the Common Units as reported in The Wall Street Journal - Composite Transactions for the 20 consecutive trading days commencing on the tenth trading day prior to the later to occur of (i) the day that the transaction contemplated by this Agreement is publicly announced and (ii) the day prior to closing that any public announcement is made by Heritage MLP concerning an increase or potential increase in Heritage MLP's quarterly distribution to unitholders; provided, that if such 20-trading-day period would otherwise end after the third trading day prior to the Closing Date, the Closing Date shall be changed to be no earlier than the third trading day after the end of such 20-day trading period.

"Business" means

(a) with respect to the Contributed Subs, all business activities of the Contributed Subs involving the purchase, sale, exchange, marketing, trading, storage or transportation of propane conducted in the United States, its territories and the District of Columbia;

(b) with respect to the LP, the collective Businesses of each of the Contributed Subs as currently conducted; and

(c) with respect to the Heritage Entities, the business of the Heritage Entities as currently conducted and as described in the SEC Reports.

"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 a corresponding provision of any successor law.

"Contract" means any agreement, contract, obligation, promise, or undertaking (whether written or oral and whether express or implied) that is legally binding.

"Contributed Interest" means, with respect to a Contributed Sub that is a limited liability company, all of the member interests in such Contributed Sub, and, collectively, all of the member interests of each of such Contributed Subs.

"Contributed Sub" means AGL Propane, Inc., a Georgia corporation; United Cities Propane Gas, Inc., a Tennessee corporation ("United Cities"); Peoples Gas Company, a Florida corporation; and Piedmont Propane Company, a North Carolina corporation ("Piedmont Propane"). Such term also refers to the limited liability company into which each of the foregoing is converted or merged, or, in the case of United Cities, into which the Transferred Assets of United Cities are transferred, and, in the case of Piedmont Propane, into which the Transferred Assets of Piedmont Propane are transferred, in each case, from and after the date of such conversion, merger or transfer.

"Control" means the possession, directly or indirectly, through one or more intermediaries, of any of the following:

(a) (i) in the case of a corporation, more than 50 percent of the outstanding voting securities thereof; (ii) in the case of a limited liability company, partnership, limited partnership or joint venture, equity securities of such entity that entitle the owner/holder thereof to the right to receive more than 50 percent of the distributions from such entity; (iii) in the case of a trust or estate, including a business trust, more than 50 percent of the beneficial interests therein; and (iv) in the case of any other entity, equity securities or ownership interests in such entity that entitle the owner/holder thereof to more than 50 percent of the economic or beneficial interests therein; or

(b) in the case of any entity, the possession of the power, acting alone or as a member of a group (as defined in Rule 13d-5 under the Exchange Act), to direct or cause the direction of the management and policies of the entity by virtue of ownership of voting securities or otherwise.

"Disclosure Letter" means, when used with respect to a Contributed Sub, the disclosure letter relating to such Contributed Sub and set forth as Schedule 1.1.

"Dispute Resolution Procedures" means the procedures described in Exhibit 10.10.

"Employee" means an employee of the Contributed Subs or their respective Affiliates who is employed in the Business.

"Encumbrance" means any lien, charge, pledge, option, mortgage, deed of trust, security interest, claim, restriction, easement and other encumbrance of every type and description, whether imposed by Law, agreement, understanding or otherwise.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Excluded Assets" means those Assets identified in Section 1.1(b) of the Disclosure Letters.

"Formation Agreement" means the Formation Agreement, dated February 15, 2000, among the Contributed Subs existing as of such date and the other parties thereto.

"GAAP" means generally accepted accounting principles as in effect in the United States of America on the applicable date.

"Governmental Authority" (or "Governmental") means a federal, state, local or foreign governmental authority; a state, province, commonwealth, territory or district thereof; a county or parish; a city, town, township, village or other municipality; a district, ward or other subdivision of any of the foregoing; any executive, legislative or other governing body of any of the foregoing; any agency, authority, board, department, system, service, office, commission, committee, council or other administrative body of any of the foregoing; any court or other judicial body; and any officer, official or other representative of any of the foregoing.

"Hedging Policy" means the written Trading and Hedging Policy as approved by a resolution of the board of managers of the LLC and the board of directors of Heritage GP.

"Heritage Acquisition Program" means the acquisition of unrelated propane companies and/or their assets between the date of the most recent SEC Report and Closing, consistent with past practices, provided that the aggregate acquisition programs shall not exceed $9,400,000 plus noncompetition payments having a net present value not to exceed $3,100,000.

"Heritage Disposition Program" means, consistent with past practices, (a) the disposition of non-EBITDA-generating assets and (b) the sale of marketable securities, provided that such dispositions and sales are made to unrelated third parties and the net proceeds are utilized to pay down Heritage OLP's indebtedness.

"Heritage Entities" means the Heritage Parties and the following entities: M-P Oils, Ltd., an Alberta, Canada, corporation; M-P Energy Partnership, an Alberta, Canada, general partnership; and Bi-State Propane, a California general partnership, Guilford Gas, Inc., a North Carolina corporation, Heritage Bi-State LLC, a Delaware limited liability company, and Heritage Energy Resources, LLC, an Oklahoma limited liability company.

"Heritage GP" means Heritage Holdings, Inc., a Delaware corporation.

"Heritage GP Stockholders" means James E. Bertelsmeyer and Donna C. Bertelsmeyer, as Tenants by the Entireties; H. Michael Krimbill; R. C. Mills; G. A. Darr; The Beth Elise Bertelsmeyer Snapp Trust; The Amy Rene Bertelsmeyer Trust; The John D. Capps Trust; J. Charles Sawyer; Bill W. Byrne; Robert K. Blackman; Byron Jay Cook; Blaine L. Cronn; Mark A. Darr; Larry J. Lindsey; Ray S. Parsons; Charles B. Pass; Kermit V. Jacobsen; Thomas H. Rose; C. H. Timberlake, III; Curtis L. Weishahn; William V. Cody; James C. Hamilton, II; and Jack McKeehan.

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

"Heritage OLP" means Heritage Operating, L.P., a Delaware limited partnership.

"Heritage Parties" means Heritage MLP and Heritage OLP.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Intellectual Property" means patents, trademarks, service marks, trade names, service names, logos, marks, designs, copyrights and similar rights, and all registrations, applications, licenses and rights with respect to any of the foregoing.

"Investments" is defined in the Stock Purchase Agreement.

"IRS" means the Internal Revenue Service.

"Knowledge of the Specified U.S. Propane Persons" means the actual knowledge of the Specified U.S. Propane Persons after making appropriate inquiry in accordance with Section 4.28(h) and Section 6.15(b).

"Knowledge of the Specified Heritage Persons" means the actual knowledge of the Specified Heritage Persons after making appropriate inquiry in accordance with Section 3.25(h) and Section 6.15(a).

"Law" means any applicable constitutional provision, statute, act, code (including the Code), law, regulation, rule, ordinance, order, decree, ruling, proclamation, resolution, judgment, decision, declaration, or interpretative or advisory opinion or letter of a Governmental Authority having valid jurisdiction.

"Legal Expenses" means the reasonable out-of-pocket fees, costs and expenses of any kind incurred by any Person entitled to indemnification pursuant to Article 9 in investigating, preparing for, defending against or providing evidence, producing documents or taking other action with respect to any claim as to which such person is entitled to indemnification pursuant to Article 9.

"LLC" means U.S. Propane, L.L.C., a Delaware limited liability company.

"Losses" means losses, damages, liabilities, claims, costs and expenses (including, without limitation, related Legal Expenses), but excluding losses, damages, liabilities, claims, costs and expenses incurred in connection with or relating to lost profits or special, consequential, exemplary or punitive damages.

"LP" means U.S. Propane, L.P., a Delaware limited partnership.

"LP Agreement" means the Amended and Restated Agreement of Limited Partnership of the LP.

"Other Parties" means, with respect to a Party, each Party other than such Party and its Affiliates.

"Parties" means, collectively, each of the parties named in the Preamble.

"Permits" means licenses, permits, franchises, consents, approvals, variances, exemptions and other authorizations of or from Governmental Authorities.

"Permitted Encumbrances" with respect to a Party, means (a) the Encumbrances set forth in the Disclosure Letters or the Schedules, as the case may be, and specifically identified as such, (b) liens for Taxes not yet due and payable or the validity of which is being contested in good faith by appropriate legal proceedings and for which adequate reserves have been set aside, (c) statutory liens (including materialmen's, mechanic's, repairmen's, landlord's and other similar liens) arising in connection with the ordinary course of business securing payments not yet due and payable or, if due and payable, the validity of which is being contested in good faith by appropriate legal proceedings and for which adequate reserves have been set aside, and (d) such imperfections or irregularities of title, if any, as (i) are not substantial in character, amount or extent and do not materially detract from the value of the property subject thereto, (ii) do not materially interfere with either the present or intended use of such property and (iii) do not, individually or in the aggregate, materially interfere with the conduct of the business of such Party.

"Person" means any individual, corporation, firm, partnership, limited partnership, limited liability company, joint venture, association, joint-stock company, trust, enterprise, other entity, unincorporated association or Governmental Authority.

"Pledge Agreement" means any of the Pledge Agreements dated as of December 10, 1998, between Heritage GP and certain of the Heritage GP Stockholders.

"Proceedings" means all proceedings, actions, claims, suits, investigations and inquiries by or before any arbitrator or Governmental Authority.

"Restricted Unit Plan" means the Restricted Unit Plan of Heritage GP dated as of June 28, 1996.

"Selected Employee" means an Employee who accepts an employment offer and becomes an employee of Heritage GP or Service Corp., as the case may be.

"Software" means computer software, including systems software, documentation and object and source codes.

"Specified Heritage Persons" means James E. Bertelsmeyer, H. Michael Krimbill, R.C. Mills and G.A. Darr.

"Specified U.S. Propane Persons" means the principal executive officer of each of the Contributed Subs existing on the date of this Agreement.

"Subordinated Unit" means a Subordinated Unit, as defined in the Heritage MLP Partnership Agreement.

"Subsidiary" means as to any Person, (a) any corporation more than 50 percent of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (excluding stock of any class or classes of such corporation that might have voting power by reason of the happening of any contingency) is at the time owned by such Person and/or one or more Subsidiaries of such Person and (b) any partnership, limited partnership, limited liability company, joint venture, association, joint-stock company, trust, enterprise, other entity or unincorporated association in which such Person and/or one or more Subsidiaries of such Person has more than a 50 percent equity interest at the time.

"Tax Return" means any return or report, including any related or supporting information, with respect to Taxes.

"Taxes" means any income taxes or similar assessments or any sales, gross receipts, excise, occupation, use, ad valorem, property, production, severance, transportation, employment, payroll, franchise or other tax imposed by any United States federal, state or local (or any foreign or provincial) taxing authority, including any interest, penalties or additions attributable thereto.

"Technology" means trade secrets, confidential information (whether or not of a technological or commercial nature), proprietary information, inventions, technical data, spreadsheets, technical plans and drawings, blueprints, general specifications, tooling specifications, purchase specifications, know-how, formulae, processes, procedures, research records, records of inventions, test information, market surveys and marketing know-how.

"Transferred Assets" means the Assets of the Contributed Subs, other than the Excluded Assets described in Section 1.1(b) of the Disclosure Letters. When used with respect to the LP, "Transferred Assets" means the Transferred Assets of all of the Contributed Subs.

"Transferred Contracts" means all of the Contracts identified in Section 4.18(a) of the Disclosure Letters and each Contract relating to or used in connection with the Business that was entered into in the ordinary course of business and that is not required to be identified in Section 4.18(a) of the Disclosure Letters.

"U.S. Propane Entities" means the LP and each of the Contributed Subs.

Exhibit 1.1 - 8

CONTRIBUTION AGREEMENT
EXECUTION COPY DATED JUNE 15, 2000

EXHIBIT 2.4

CONVEYANCE AND ASSIGNMENT AGREEMENT

This Conveyance and Assignment Agreement (this "Agreement"), dated as of _____, 2000, is entered into by and between U.S. Propane, L.P., a Delaware limited partnership ("U.S. Propane") and Heritage Propane Partners, L.P., a Delaware limited partnership ("Heritage").

ARTICLE 1
PURPOSE

This Agreement is expressly made subject to the terms and conditions of that certain Contribution Agreement dated as of _____, 2000, among U.S. Propane, Heritage and the other parties thereto (the "Contribution Agreement"). All capitalized terms used herein shall have the meanings given to such terms in the Contribution Agreement, unless otherwise defined herein. This Agreement is intended only to effect the transfer of the Contributed Interest (defined below) to Heritage as provided for in the Contribution Agreement and shall be governed in accordance with the terms and conditions of the Contribution Agreement. In the event of a conflict between the terms of this Agreement and the terms of the Contribution Agreement, the terms of the Contribution Agreement shall prevail. For purposes of this Agreement "Contributed Interest" shall mean all of U.S. Propane's member interest in _____, a Delaware limited liability company.

ARTICLE 2
CONVEYANCE TO HERITAGE

2.1 CONVEYANCE. U.S. Propane hereby grants, transfers, assigns and conveys to Heritage, its successors and assigns, for its and their own use forever, all right, title and interest in and to the Contributed Interest in exchange for (i) a limited partner interest in Heritage and (ii) other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and Heritage hereby accepts the Contributed Interest, as a contribution to the capital of Heritage.

TO HAVE AND TO HOLD the Contributed Interest unto Heritage, 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 DISCLAIMER OF WARRANTIES. (a) U.S. PROPANE IS CONVEYING THE CONTRIBUTED INTEREST WITHOUT REPRESENTATION OR WARRANTY, WHETHER EXPRESS, IMPLIED OR STATUTORY (ALL OF WHICH U.S. PROPANE HEREBY DISCLAIMS), AS TO TITLE OR ANY OTHER MATTER WHATSOEVER, EXCEPT AS PROVIDED IN THE CONTRIBUTION AGREEMENT.

(b) U.S. Propane and Heritage agree that the disclaimers contained in this Section 2.2 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.

2.3 RIGHTS AND OBLIGATIONS. Nothing in this Agreement is intended to or shall expand or limit the rights or obligations of U.S. Propane under the Contribution Agreement.

ARTICLE 3
MISCELLANEOUS

3.1 POWER OF ATTORNEY. U.S. Propane hereby constitutes and appoints Heritage, 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 U.S. Propane, its successors and assigns, and for the benefit of Heritage, its successors and assigns, to demand and receive from time to time the Contributed Interest and to execute in the name of U.S. Propane 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 Heritage or U.S. Propane for the benefit of Heritage, as may be appropriate, any and all proceedings at law, in equity or otherwise which Heritage, 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 Contributed Interest, and to defend and compromise any and all actions, suits or proceedings in respect of any of the Contributed Interest and to do any and all such acts and things in furtherance of this Agreement as Heritage, its successors or assigns shall deem advisable. U.S. Propane 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 U.S. Propane, its successors or assigns or by operation of law.

3.2 FURTHER ASSURANCES. From time to time after the date hereof, and without any further consideration, U.S. Propane 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 Heritage, its successors and assigns, all of the properties, rights, titles, interests, estates, remedies, powers and privileges by this Agreement granted to Heritage or intended so to be and (ii) to more fully and effectively carry out the purposes and intent of this Agreement.

3.3 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

3.4 GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

3.5 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 Contributed Interest.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the date first above written.

HERITAGE PROPANE PARTNERS, L.P.
A DELAWARE LIMITED PARTNERSHIP

By:

Name:

Title:

U.S. PROPANE, L.P.,
A DELAWARE LIMITED PARTNERSHIP,

By:

Name:

Title:

Exhibit 2.4 - 3

CONTRIBUTION AGREEMENT
EXECUTION COPY DATED JUNE 15, 2000

EXHIBIT 2.6

NET WORKING CAPITAL

PART 1

Definition of Net Working Capital

As used herein, the term "Net Working Capital" shall be determined for the LP on a consolidated basis including all of the assets contributed as of the Closing Date directly to Heritage OLP by the LP and all assets held by each Contributed Sub as of the Closing Date and shall mean the current assets minus the assumed liabilities of the LP as of the Closing Date, as such items are determined in accordance with GAAP but subject to the adjustments specified below under "Adjustments to Current Assets and Assumed Liabilities."

Adjustments to Current Assets and Assumed Liabilities

Current assets include:

- Cash and cash equivalents
- Accounts receivable
- Notes receivable
- Liquids inventory
- Appliances
- Non-consumable operating materials and supplies (based on a physical inventory conducted within 60 days of the Closing Date and adjustment to the Closing Date if necessary), including parts, fittings and regulators
- Prepaid expenses
- Prepaid utilities, service charges and rentals

Assumed Liabilities include:

- Accounts payable
- Accrued liabilities (such as vacation and payroll)
- Deferred credits (such as customer deposits, escheat and Permits)
- Non-income taxes payable (such as sales taxes, motor fuel taxes and property taxes)
- Present value of vehicle leases, discounted at 10% (discount rate subject to auditor approval)
- The present value of payment obligations under noncompetition agreements, to the extent included in the balance sheet and not expensed, discounted at 10% (discount rate subject to auditor approval)
- Credit balances on accounts receivable (prebuys, overpayments, budget plans)

Assumed Liabilities do not include debt of the Contributed Subs repaid in accordance with Section 2.2(e) of the Contribution Agreement.

PART 2

Valuation of Net Working Capital

The Net Working Capital shall be valued as of the Closing Date using the following valuation conventions:

Except to the extent the LP provides sufficient documentation to reasonably support a different valuation percentage, each account receivable shall be valued based on a percentage of its face amount based on the age of such account or note receivable as of the Closing Date as follows:

Age of Receivable in Days	Percentage
0-30	100%
31-90	90%
91-120	75%
>120	50%

Liquids inventory:

1. Working inventories are those gallons which are held at branch/satellite facilities and are used in the normal course of business for daily usage/deliveries. Those inventories should be valued at the laid-in market prices, which is based on applicable pipeline posted prices at closing.

2. Supply position inventories are those inventories which have been purchased for future delivery or placed into storage for use as demand requires. These volumes could represent gallons that have been pre-sold or bought to protect against anticipated possible cost changes. These inventories should be valued at cost, including freight, storage and hedging cost.

Each appliance shall be valued based on a percentage of original cost based on the age of such appliance as of the Closing Date as follows:

Age of Appliance in Months	Percentage
0-12	100%
13-18	75%
>18	0%

Non-consumable operating materials and supplies shall be valued at the lower of cost or fair market value as of the Closing Date.

Prepaid expenses shall be valued as of the Closing Date in accordance with GAAP.

All other items comprising Net Working Capital and not otherwise addressed herein shall be valued as of the Closing Date in accordance with GAAP.

Exhibit 2.6 - 3

CONTRIBUTION AGREEMENT
EXECUTION COPY DATED JUNE 15, 2000

EXHIBIT 6.14

HERITAGE OPERATING, L.P.
PRIVATE MEDIUM TERM NOTE FINANCING PROGRAM

ISSUANCE OF $120 MILLION SENIOR SECURED NOTES

SUMMARY OF CERTAIN TERMS AND CONDITIONS

Presented below is a Summary of Certain Terms and Conditions associated with Heritage Operating, L.P.' s proposed issuance of Senior Secured Notes. Please refer to the attached Master Note Agreement for a complete description of the terms and conditions associated with this proposed issuance of Senior Secured Notes.

ISSUER	Heritage Operating, L.P. (the "Company").
SECURITIES	Senior Secured Notes of the Company (the "Notes").
RANKING	The Notes will be senior secured obligations of the Company and shall rank PARI PASSU with other senior secured Indebtedness of the Company, including additional series of Notes (each such additional series of Notes shall hereafter be referred to as "Future Notes") issued under the Program (Series B, Series C, etc.) Collectively, the Series A Notes and each series of Future Notes are hereafter referred to as the "Notes".
PROGRAM	Private Medium Term Note Financing Program (the "Program") of up to $225 million.
INITIAL ISSUANCE	$120.0 million (the "Series A Notes").
ISSUANCE OF FUTURE NOTES	For a 12-month period following the Closing Date, the Company shall have the right, but not the obligation, to offer one or more series of Future Notes for sale pursuant to the Program, provided that the principal amount of the Notes outstanding under the Program shall not, at any time, exceed $225 million. Each series of Future Notes shall be offered in the minimum denomination of $5 million. In the event that the Company elects to offer Future Notes for sale under the Program, the Company may elect to sell the Future Notes to one or more Designated Institutional Investors, including the Note Purchasers; Designated Institutional Investors purchasing Future Notes are hereafter referred to as "Future Note Purchasers". All Notes issued by the Company pursuant to the Program shall be governed by the terms of the Master Note Agreement (as defined herein). Notwithstanding the above, the Company shall not sell or offer to sell Future Notes, if a Default or an Event of Default has occurred and is continuing. Designated Institutional Investors shall mean the Note Purchasers and a limited number of additional institutional investors (not to exceed seven (7) in number) which shall have the opportunity to submit bids for each series of Future Notes. See Future Note Bidding for a description of the bidding process for Future Notes.

FINAL MATURITY AND AVERAGE LIFE	SERIES A NOTES: 15 year final maturity, with a 10 year average life. FUTURE NOTES: To be determined.
CLOSING DATE	SERIES A NOTES: As soon as practical, but no later than July 31, 2000. FUTURE NOTES: As negotiated between the Company and the Future Note Purchaser(s), but in any event no later than fifteen (15) business days following the date of agreement, between the Company and the respective Future Note Purchaser(s), as to the Final Maturity and Average Life and Interest Coupon on the series of Future Notes to be issued by the Company.
INTEREST COUPON	The Interest Coupon on the Series A Notes and on each series of Future Notes will be equal to the sum of: (i) a credit spread appropriate for the Average Life of the Notes being issued; and (ii) the yield to maturity of the U.S. Treasury note having a final maturity closest to the Average Life of the Notes being issued by the Company. Interest will be payable not more frequently than quarterly in arrears and calculated on a basis of 30/360 days.
NOTE PURCHASERS	One or more accredited institutional investors as determined by the Securities Act of 1933 who agree to purchase the Series A Notes on terms acceptable to the Company. Any Series A Note Purchaser may also purchase any series of Future Notes issued by the Company; however, the purchase of any series of Notes issued under the Program by a Designated Institutional Investor does not obligate that Investor to purchase, or bid to purchase, any subsequent series of Future Notes.
USE OF PROCEEDS	The proceeds of the issuance of the Series A Notes will be utilized: (i) to acquire the assets of U.S. Propane (the "Acquisition Transaction"), (ii) to pay for costs relating to the Acquisition Transaction and the Initial Issuance and (iii) for general corporate purposes.
PRINCIPAL REPAYMENT	SERIES A NOTES: Ten (10) equal annual installments of principal, beginning at the end of year six. FUTURE NOTES: To be determined based on the Final Maturity and Average Life for each series of Future Notes.
OPTIONAL PREPAYMENT	The Company may, at any time, prepay all or a portion of any series of Notes outstanding for a price determined by discounting the remaining mandatory principal and interest payments due on the Notes at a discount rate equal to the lesser of: (i) the Interest Coupon on the series of Notes to be prepaid; or (ii) the sum of 0.50% plus the yield on the U.S. Treasury note having a remaining term to maturity which most closely approximates the then-remaining average life of the series of Notes to be prepaid. Provided that there is no Default or Event of Default that has occurred and is continuing, the Company shall have the right to prepay any series of Notes issued under this Program without requiring pro-rata prepayment on all series of the Notes.

CONTROL EVENT PREPAYMENT	Upon the occurrence of a Control Event, each Note Purchaser shall have the right, but not the obligation, to request a prepayment of that Note Purchaser's Notes. In the event of such election, then the prepayment amount shall be equal to the sum of: (i) the principal amount of the Notes being prepaid; (ii) accrued but unpaid interest to the date set for such prepayment; and (iii) a premium of one percent (1.00%) of the principal amount of the Notes being prepaid.
DOCUMENTATION	Sale of the Series A Notes and each series of Future Notes shall be made pursuant to a Master Note Agreement (the "Agreement"), which will contain standard representations and warranties typically found in agreements evidencing Indebtedness similar to the Notes. Each series of Future Notes shall also require that the Company (i) re-affirm its compliance with all covenants, representations and terms of the Agreement and (ii) provide opinions of counsel and other appropriate documentation reflecting authorization to issue the Future Notes.
FINANCIAL COVENANTS	Financial covenants shall be applied to the Company and its Subsidiaries on a consolidated basis in accordance with U.S. generally accepted accounting principles ("GAAP"). References to specific clauses of Financial Covenants presented below are strictly for purposes of this Summary of Certain Terms and Conditions and should not be construed to be references to specific clauses of the Negative Covenants or Affirmative Covenants incorporated into the Agreement, unless otherwise noted. Financial Ratios (i) Ratio of Consolidated Funded Indebtedness to Consolidated EBITDA shall not exceed 5.25 to 1.00; (ii) Ratio of Consolidated EBITDA to Consolidated Interest Expense shall not be less than 2.25 to 1.00; and (iii) Ratio of Adjusted Consolidated Funded Indebtedness to Adjusted Consolidated EBITDA shall not exceed 6.25 to 1.00. Limitation on 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: (i) Existing Indebtedness; (ii) Indebtedness incurred to replace, extend, renew, refund or refinance any existing Indebtedness provided that such new Indebtedness may not have an average life to maturity shorter than the remaining average life to maturity of Indebtedness being extended, renewed, refunded or refinanced; (iii) Indebtedness incurred under the Revolving Working Capital Facility for purposes permitted by such facility, provided that the aggregate principal amount of Indebtedness permitted under this clause (iii) shall not at any time exceed an amount equal to (x) $50,000,000 less (y) the amount of Indebtedness, if any, outstanding under the Revolving Working Capital Facility permitted by Limitation on Indebtedness clause (vi) below;

(iv) Indebtedness incurred under the Acquisition Facility for purposes permitted by such facility and up to $3,000,000 of Indebtedness owing from time to time to the seller(s) in asset acquisitions (in addition to non-compete obligations), provided that the aggregate principal amount of Indebtedness permitted under this clause shall not exceed $50,000,000;

(v) Indebtedness for which any Subsidiary of the Company may become liable and which is owed to the Company or to a Wholly-Owned Subsidiary of the Company;

(vi) Heritage Service Corp. may incur Indebtedness pursuant to the Revolving Working Capital Facility provided that the aggregate principal amount of Indebtedness permitted under this clause (vi) shall not at any time exceed $3,000,000;

(vii) Acquired Indebtedness to the extent that 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 Limitation on Indebtedness clause (ix) and such Indebtedness was not incurred in anticipation of such acquisition or contribution;

(viii) M-P Oils Partnership may become and remain liable with respect to Indebtedness in an aggregate principal amount not to exceed $3,000,000, and the Company may become and remain liable with respect to Guarantees of such Indebtedness of M-P Oils Partnership and of Indebtedness of Bi-State Propane, provided that the aggregate amount of all Guarantees permitted by this clause (viii) shall not exceed $10,000,000;

(ix) Indebtedness of any Person that, after the Closing Date, becomes a Subsidiary of the Company, to the extent that 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 Limitation on Indebtedness clause (xii) contained herein and (b) such Indebtedness was not incurred in anticipation of such Person becoming a Subsidiary of the Company;

(x) Indebtedness incurred in respect of capital leases and non-compete obligations, provided that any Lien in respect thereof is permitted by pursuant to the Limitation on Liens provisions of the Agreement;

(xi) Indebtedness incurred in the ordinary course of business, including but not limited to performance bonds and bid bonds, and Indebtedness created by checks, drafts and such similar instruments; and

(xii) Indebtedness not otherwise provided for in (i) - (xi) above, 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 1.00, and (b) no Default or Event of Default shall exist.

Limitation on Liens. The Company will not, and will not permit any Subsidiary to, create, assume, incur or suffer to exist any Lien to respect to any of its properties or assets, except:

(i) Existing Liens at the Closing Date;

(ii) 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;

(iii) Liens created to secure all or any part of the purchase price, or to secure Indebtedness (other than Parity Debt), incurred to pay all or any part of the purchase price or cost or to secure obligations incurred in consideration of non-compete agreements entered into in connection with any such acquisition, provided that any such Lien shall be created contemporaneously with, or within 180 days after, the acquisition or construction of such property and such Lien does not exceed an amount equal to 85% of the fair market value (100% in the case of capitalized lease obligations and 35% in the case of non-compete obligations) of such property;

(iv) 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;

(v) 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;

(vi) Liens on the property or assets of Heritage Service Corp. securing Indebtedness permitted by clause (vi) of Limitation of Indebtedness, provided that (i) such Liens shall at all times be confined to property or assets having an aggregate fair market value not exceeding $6,000,000 and (ii) as a result of any such Lien, no Default or Event of Default shall exist;

(vii) 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;

(viii) Liens incurred in the ordinary course of business including, but not limited to, Liens for taxes, assessments, lessors, landlords, easements, carriers, vendors, workmen's compensation, and retiree benefits; and

(ix) Liens renewing, extending or refunding any Lien permitted herein, 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 are encumbered by any such Lien other than the assets encumbered immediately prior to such renewal, extension or refunding shall be encumbered thereby.

Priority Debt. The Company will not permit Priority Debt, at any time, to exceed the sum of (i) $13,000,000 plus (ii) 10% of the then Consolidated Tangible Net Worth (to the extent that such Consolidated Tangible Net Worth is positive).

Restricted Payments. The Company will not directly or indirectly declare, order, pay, make or set apart any sum of any Restricted Payment, except that the Company may declare or order, and make, pay or set apart, during each fiscal quarter a Restricted Payment if (i) such Restricted Payment, together with all other Restricted Payments during such fiscal quarter, do not in the aggregate exceed the amount of 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.

Consolidation and Mergers. The Company will not, and will not permit any Subsidiary to, consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into it, except that:

(i) Any Subsidiary or the Company may consolidate with or merge into the Company or a Wholly-Owned Subsidiary of the Company, as the case may be, provided that the Company or a Wholly-Owned Subsidiary of the Company, as applicable, shall be the surviving Person;

(ii) Any entity may consolidate with or merge into the Company or a Subsidiary of the Company if the Company or a Subsidiary shall be the surviving Person and if, immediately after giving effect to such transaction, (1) the Company and its Subsidiaries (x) shall have Consolidated Net Worth, of not less than the Consolidated Net Worth of the Company immediately prior to the effectiveness of such transaction and (y) could incur at least at $1.00 of additional Indebtedness in compliance with the Financial Covenants and clause (xi) of the Limitation on Indebtedness provision contained herein; (2) substantially all of the assets of the Company and its Subsidiaries shall be located, and substantially all of their business shall be conducted, within the continental U.S. or Canada; and (3) no Default or Event of Default shall exist and be continuing; and

(iii) The Company may consolidate with or merge with or into any other entity if (1) the surviving entity is a corporation or limited partnership organized and existing under the laws of the U.S. or any state thereof; (2) such corporation or limited partnership expressly and unconditionally assumes the obligations pursuant to the Notes; (3) immediately after giving effect to such transaction, such

corporation or limited partnership
(x) shall have Consolidated Net

Worth, of not less than the Consolidated Net Worth of the Company immediately prior to the effectiveness of such transaction and (y) could incur at least at $1.00 of additional Indebtedness in compliance with Financial Covenants and clause (xi) of the Limitation on Indebtedness provisions contained herein; and (4) no Default or Event of Default shall exist and be continuing.

Limitation on Sale of Assets. The Company will not, and will not permit any other Person to, sell, lease, abandon or otherwise dispose of all or substantially all its assets, except that:

(i) Any Subsidiary of the Company may sell, lease or otherwise dispose of all or substantially all its assets to the Company or a Wholly-Owned Subsidiary of the Company;

(ii) 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 Mergers and Consolidations herein;

(iii) The Company and any Subsidiary may sell, lease, abandon or otherwise dispose any of its assets or issue or sell Capital Stock of any Subsidiary of the Company, whether in a single transaction (an Asset Sale) or a series of related transactions if:

(a) Immediately after giving effect to such proposed disposition no Default or Event of Default shall exist and be continuing (and, in the case of any Asset Sale involving assets that generate EBITDA of $500,000 and such Asset Sale involves consideration of $2,500,000 or more, an officer's certificate shall be provided to the Note Purchasers);

(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 land and buildings 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 over the immediately preceding 12-month period does not exceed $3,000,000 and (y) the aggregate Net Proceeds of all assets so disposed of 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 subsections (x) and (y) of clause "(c)(I)" ("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 U.S. 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 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 clause (iii) of the Limitations on Indebtedness contained herein); and

(d) The Company shall have delivered to the Noteholders a certificate of the chief financial officer or an authorized financial officer 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 herein, and having a fair market value 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 herein.

OTHER COVENANTS

Customary non-financial covenants including, but not limited to, the following:

(i) Maintenance of business lines;

(ii) Maintenance of property in good working condition;

(iii) Maintenance of appropriate programs of insurance;

(iv) Payment of all taxes unless contest in good faith;

(v) Maintenance of partnership or corporate existence, rights and franchises;

(vi) Compliance with applicable laws, ERISA and environmental regulations;

(vii) Maintenance of financial statements in accordance with GAAP; and

(viii) Transactions with Affiliates conducted on an arms-length basis.

FINANCIAL STATEMENTS AND CERTIFICATION

The Company shall provide:

	(i) Quarterly unaudited consolidated financial statements within 50 days after the end of such quarterly period, certified by an authorized financial officer; (ii) Annual audited consolidated financial statements within 95 days after the end of each fiscal year; and (iii) Quarterly compliance certificates certified by an authorized financial officer. SEC filings for the Master Partnership of Forms 10K and 10Q shall satisfy the preceding financial statement reporting requirement as long as the Consolidated Net Income of the Company accounts for at least 95% of the net income of the Master Partnership for the appropriate reporting period and all statements required to be delivered pursuant to this clause with respect to the Company are included in such Form 10K and 10Q.
REPRESENTATIONS AND WARRANTIES	Refer to the Agreement.
EVENTS OF DEFAULT	To include but not limited to: (i) The Company defaults in the payment of principal of, or premium, if any, on any Note; (ii) The Company defaults in the payment of any interest on any Notes for more than 5 days; (iii) The Company or any Subsidiary of the Company defaults in any payment of principal or interest on any Parity Debt or any other Indebtedness other than the Notes, provided that the aggregate amount of all Indebtedness as to which such a default (payment or other) shall occur and be continuing exceeds $5,000,000; (iv) Bankruptcy, insolvency, dissolution or liquidation of the General Partner, the Company or any Significant Subsidiary Group; (v) The Specified Entities shall own, directly or indirectly through Wholly-Owned Subsidiaries, in the aggregate less than 51% of the Capital Stock of the General Partner; or (vi) Either Designated Current Manager shall, at any time during the Lock-up Period applicable to such Designated Current Manager, own, directly or indirectly, less than 50% of the Common Units of the Master Partnership owned, directly or indirectly, by such Designated Current Manager immediately after giving effect to the Proposed Reorganization.
REMEDIES	Upon the occurrence of an Event of Default, the Note Purchasers and Future Note Purchasers, as applicable shall possess all of the rights and remedies customarily available to investors in senior Indebtedness including: (i) automatic acceleration of the Notes in the event of bankruptcy; (ii) acceleration by any Note Purchaser in the event of a monetary Event of Default; and (iii) under non-monetary Events of

	Default, acceleration of the Notes after consent from Note Purchasers and Future Note Purchasers accounting for at least 51% of the aggregate outstanding principal amount of the Notes.
AMENDMENTS	Amendments to the Agreement and the associated documentation shall require the approval of Note Purchasers and Future Note Purchasers accounting for at least 51% of the aggregate principal amount of the outstanding Notes. Notwithstanding the foregoing, any amendment which alters the payment terms of the Notes or the voting rights under the Agreement shall require the consent of 100% of the Note Purchasers and Future Note Purchasers.
CERTAIN DEFINITIONS	Following below are certain definitions associated with this Summary of Certain Terms and Conditions. Capitalized terms not defined in this Summary of Certain Terms and Conditions are incorporated by reference from the Agreement. Adjusted Consolidated EBITDA shall mean, as of any date of determination for any applicable period, Consolidated EBITDA calculated: (x) with respect to the consolidated group comprised of the General Partner, the Master Partnership and the Company and its Subsidiaries (rather than with respect to the consolidated group comprised of the Company and its Subsidiaries), and (y) as if the terms 'Consolidated Non-Cash Charges', 'Consolidated Net Income', 'Consolidated Interest Expense', `Consolidated Income Tax Expense', 'Asset Sale', and 'Asset Acquisition', were calculated with respect to the consolidated group comprised of the General Partner, the Master Partnership and the Company and its Subsidiaries (rather than with respect to the consolidated group comprised of the Company and its Subsidiaries). Adjusted Consolidated Funded Indebtedness shall mean Consolidated Funded Indebtedness calculated with respect to the consolidated group comprised of the General Partner, the Master Partnership and the Company and its Subsidiaries (rather than with respect to the consolidated group comprised of the Company and its Subsidiaries). Designated Current Managers shall mean R. C. Mills and H. Michael Krimbill, current executive officers of the General Partner, together with, in the case of either such executive officer, the heirs of, and trusts for the benefit of family members controlled by, such executive officer. Lock-Up Period shall mean, with respect to any Designated Current Manager, the period from the date of the closing of the Proposed Reorganization to the earlier to occur of (x) the third anniversary of such closing, and (y) the first date on which such Designated Current Manager shall cease to be employed by the General Partner, the Master Partnership or any of their respective Affiliates. Proposed Reorganization shall have the meaning set forth in the introductory portion of the Third Amendment Agreement, dated as of May 31, 2000, with respect to this Agreement.

	Specified Entities shall mean and one or more of the following entities: (i) Atmos Energy Corporation, a Texas and Virginia corporation, (ii) Piedmont Natural Gas Company, Inc., a North Carolina corporation, (iii) AGL Resources, Inc., a Georgia corporation, and (iv) TECO Energy, Inc., a Florida corporation, or a Successor to any entity referred to in clause (i), (ii), (iii) or (v) of this definition. Successor shall mean, with respect to a Specified Entity, any entity in which the holders of the capital stock of such Specified Entity outstanding immediately prior to a consolidation, acquisition or merger involving such Specified Entity hold, directly or indirectly through a Wholly-Owned Subsidiary, at least a majority of the Capital Stock immediately after such consolidation, acquisition or merger.
ISSUING EXPENSES	The Company shall be responsible for all fees and expenses associated with the issuance of the Notes, including the fees of the designated special counsel of the Note Purchasers and Future Note Purchaser(s).
PLACEMENT AGENT	Glaucon Capital Partners, L.L.C. ("GCP").
FUTURE NOTE BIDDING	GCP shall have the right to request that each Designated Institutional Investor update its indicative pricing for Future Note series not more frequently than twice a month. The Company shall then have the right, but not the obligation, to select one or more Designated Institutional Investors to purchase the next series of Future Notes. Until this Summary of Certain Terms and Conditions has been agreed to and all other requirements have been satisfied, indicative prices obtained from any Designated Institutional Investor shall be subject to change at the discretion of the Designated Institutional Investor in question.
INVESTOR COUNSEL	To be determined.

EXHIBIT 7.1(c)

[FORM OF OFFICER'S CERTIFICATE OF THE HERITAGE PARTIES]

OFFICER'S CERTIFICATE OF THE HERITAGE PARTIES

The undersigned, the [officer's title] of Heritage MLP, a Delaware limited partnership ("Heritage MLP") and the [officer's title] of Heritage Operating, L.P., a Delaware limited partnership ("Heritage OLP") hereby certify to U.S. Propane, L.P., a Delaware limited partnership (the "LP"), on behalf of Heritage MLP and Heritage OLP, respectively, that (a) all the representations and warranties of the Heritage Parties contained in the Contribution Agreement dated as of June 15, 2000, among the LP and the Heritage Parties (the "Contribution Agreement"), and in any agreement, instrument or document delivered by any of the Heritage Parties pursuant to the Contribution Agreement on or prior to the Closing Date were true and correct, individually and in the aggregate, in all material respects (other than those representations and warranties of the Heritage Parties that are qualified by materiality or a Heritage Material Adverse Effect, which shall be true and correct in all respects) as of the date of the Contribution Agreement and are true and correct as of today's date, and (b) each of the Heritage Parties has performed and complied with, in all material respects, all covenants and agreements required by the Contribution Agreement to be performed or complied with by it on or prior to the Closing Date.

Capitalized terms used in this Certificate, but not defined herein, have the meanings given to them in the Contribution Agreement.

This Certificate is the certificate required to be delivered by the Heritage Parties under Section 7.1(c) of the Contribution Agreement.

This Certificate may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same Certificate.

Executed as of [the Closing Date].

HERITAGE PROPANE PARTNERS, L.P.

BY: HERITAGE HOLDINGS, INC.
ITS GENERAL PARTNER

By:

Name:

Title:

HERITAGE OPERATING, INC.,

BY: HERITAGE HOLDINGS, INC.,
ITS GENERAL PARTNER

By:

Name:

Title:

EXHIBIT 7.1(e)

LIST OF MANDATORY CONSENTS

PUHCA, if required.

EXHIBIT 7.2(c)

[FORM OF OFFICER'S CERTIFICATE OF THE LP]

OFFICER'S CERTIFICATE OF THE LP

The undersigned, the [officer's title] of U.S. Propane, L.P., a Delaware limited partnership (the "LP") hereby certifies to Heritage MLP, a Delaware limited partnership ("Heritage MLP") and Heritage Operating, L.P., a Delaware limited partnership ("Heritage OLP"), on behalf of the LP, that (a) all the representations and warranties of the LP contained in the Contribution Agreement dated as of June 15, 2000, among the LP and the Heritage Parties (the "Contribution Agreement"), and in any agreement, instrument or document delivered by the LP pursuant to the Contribution Agreement on or prior to the Closing Date, were true and correct, individually and in the aggregate, in all material respects (other than those representations and warranties of the LP that are qualified by materiality or a U.S. Propane Material Adverse Effect, which shall be true and correct in all respects) as of the date of the Contribution Agreement and are true and correct as of today's date, and (b) the LP has performed and complied with, in all material respects, all covenants and agreements required by the Contribution Agreement to be performed or complied with by it on or prior to the Closing Date.

Capitalized terms used in this Certificate, but not defined herein, have the meanings given to them in the Contribution Agreement.

This Certificate is the certificate required to be delivered by the LP under Section 7.2(c) of the Contribution Agreement.

Executed as of [the Closing Date].

LP

By: ----------

Name: ----------

Title: ----------

EXHIBIT 7.2(e)

LIST OF MANDATORY CONSENTS

PUHCA, if required.

EXHIBIT 7.2(l)

FORM OF PROVISION FOR LEASE

LANDLORD HEREBY AGREES AND COVENANTS TO INDEMNIFY AND HOLD TENANT AND ITS [PARENT,] AFFILIATES AND SUBSIDIARIES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, SHAREHOLDERS, AGENTS, REPRESENTATIVES, EMPLOYEES, INVITEES, SUCCESSORS AND ASSIGNS AND OTHER PARTIES CLAIMING BY, THROUGH OR UNDER TENANT (COLLECTIVELY, "TENANT INDEMNITEE") HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, LOSSES, DAMAGES, DEMANDS, CAUSES OF ACTION, EXPENSES (INCLUDING, WITHOUT LIMITATION, EXPENSES OF LITIGATION, EXPENSES OF INVESTIGATING OR DEFENDING CLAIMS, EXPENSES OF REMEDIATION AND COMPLIANCE OBLIGATIONS UNDER ENVIRONMENTAL LAWS AND REASONABLE ATTORNEY'S FEES) OR LIABILITIES OF ANY KIND (INCLUDING CLAIMS INVOLVING STRICT OR ABSOLUTE LIABILITY IN TORT AND FOR DAMAGE TO ANY PROPERTY, OR FOR INJURIES TO OR SICKNESS OR DEATH OF ANY PERSON, INCLUDING, BUT NOT LIMITED TO, LANDLORD, TENANT, ANY CONTRACTOR, ANY SUBCONTRACTOR OF ANY TIER OR OF ANY EMPLOYEE OR INVITEE OF ANY OF SAID PARTIES), CAUSED BY, ARISING OUT OF OR RELATED, DIRECTLY OR INDIRECTLY, TO ALL LIABILITIES OF LANDLORD OR ANY TENANT INDEMNITEE WHETHER DIRECT OR INDIRECT, FIXED OR CONTINGENT, KNOWN OR UNKNOWN, ACCRUED OR ABSOLUTE, MATURED OR UNMATURED OR DETERMINED OR DETERMINABLE, RESULTING FROM OR ARISING OUT OF ANY VIOLATION

OR NON-COMPLIANCE WITH ANY ENVIRONMENTAL LAW, NOW [OR PREVIOUSLY] OR HEREINAFTER IN EFFECT, BY LANDLORD, OR ANY PREDECESSOR-IN-INTEREST OF LANDLORD OR OTHER OWNER OR OPERATOR OF ANY OF THE LEASED PREMISES, OR ANY OF THEIR RESPECTIVE AFFILIATES (HEREIN COLLECTIVELY, "PREDECESSORS IN INTEREST"), PRIOR TO [OR AFTER] THE COMMENCEMENT DATE OF THE LEASE WITH RESPECT TO THE FACILITIES OR ANY PORTION OF THE LEASED PREMISES; OR ANY CLAIMS, LIABILITIES, OBLIGATIONS, DAMAGES, COSTS AND EXPENSES, KNOWN OR UNKNOWN, FIXED OR CONTINGENT, ACCRUED OR ABSOLUTE, MATURED OR UNMATURED OR DETERMINED OR DETERMINABLE, CLAIMED OR DEMANDED BY THIRD PARTIES OR GOVERNMENTAL AUTHORITY AGAINST TENANT ARISING OUT OF OR RESULTING FROM OWNERSHIP OR OPERATION OF THE LEASED PREMISES OR THE FACILITIES BY LANDLORD OR ANY PREDECESSORS IN INTEREST PRIOR TO THE COMMENCEMENT DATE EITHER IN VIOLATION OF OR NON-COMPLIANCE WITH ANY ENVIRONMENTAL LAW OR INVOLVING HAZARDOUS MATERIALS. THIS INDEMNITY SHALL APPLY REGARDLESS OF WHETHER OR NOT ANY SUCH DAMAGE, INJURY, SICKNESS OR DEATH IS CONTRIBUTED TO BY THE NEGLIGENCE OR FAULT OF TENANT INDEMNITEE OR BY THE VIOLATION OF ANY LAW, STATUTE OR REGULATION BY TENANT INDEMNITEE. THIS INDEMNITY WILL SURVIVE THE TERMINATION OR EXPIRATION OF THE LEASE.

Exhibit 7.2(l) - 2

CONTRIBUTION AGREEMENT
EXECUTION COPY DATED JUNE 15, 2000

APPENDIX TO EXHIBIT 7.2(l)

LIST OF PROPERTIES

1. Piedmont MGP site in Hickory, North Carolina.

2. Peoples MGP site at 16101 West Dixie Highway, North Miami Beach, Florida.

3. Peoples MGP site at 1400 Channelside Drive, Tampa, Florida.

EXHIBIT 7.2(m)

NONCOMPETITION AGREEMENT

This Noncompetition Agreement (this "Agreement"), dated as of _____, 2000, is among AGL Resources, Inc., a Georgia corporation ("AGL Parent"), AGL Investments, Inc., a Georgia corporation, AGL Propane Services, Inc., a Delaware investment holding company, AGL Energy Corp., a Delaware investment holding company, Atmos Energy Corporation, a Texas and Virginia corporation ("Atmos Parent"), TECO Energy, Inc., a Florida corporation ("Peoples Parent"), TECO Propane Ventures, LLC, a Delaware limited liability company, Piedmont Natural Gas Company, Inc., a North Carolina corporation ("Piedmont Parent"), PNG Energy Company, a North Carolina corporation, Piedmont Propane Company, a North Carolina corporation, U.S. Propane, L.P., a Delaware limited partnership (the "Partnership"), and U.S. Propane, L.L.C., a Delaware limited liability company (the "General Partner") (collectively with any other Persons that execute this Agreement, the "Parties").

RECITALS

1. The Venturers and others have entered into the Formation Agreement pursuant to which the Partnership and the General Partner will be formed.

2. In partial consideration and as a material inducement to each Party to enter into the Formation Agreement and the related transactions referenced therein, the Parties have agreed to enter into this Agreement.

AGREEMENT

The Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 CERTAIN DEFINED TERMS. As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the Sections referred to below (and grammatical variations of such terms have correlative meanings):

"Acquired Venturer" is defined in Section 2.3(a).

"Acquiring Party" means any Restricted Party that acquires an interest in a Minority Competitive Business.

"Acquiror" is defined in Section 2.3(a).

"Acquiror Competitive Business" is defined in Section 2.3(a).

"Acquisition Notice" is defined in Section 2.2(b).

"Business Day" means any day other than a Saturday, a Sunday or a holiday on which national banking associations are closed in the State of New York.

"Competitive Business" means, in the Competitive Business Area, all business activities involving the purchase, sale, exchange, marketing, trading, storage or transportation of propane, other than Permitted Activities.

"Competitive Business Area" means any state of the United States, the territories of the United States and the District of Columbia.

"Enterprise Value" means the value of an Acquiring Party's interest in a Competitive Business (a) agreed to by the Partnership and the Acquiring Party, or (b) if no agreement is reached within 30 days after the date of the Negotiation Notice, a value determined using the valuation procedures set forth in Exhibit A.

"Formation Agreement" means the Formation Agreement, dated as of February 15, 2000, among the Venturers, the General Partner, the Partnership and the other parties thereto, as amended from time to time.

"Majority Competitive Business" means a Person that has earnings before interest, taxes, depreciation and amortization of 50 percent or more that were attributable to a Competitive Business in such Person's previous fiscal year.

"Minority Competitive Business" means a Person that (i) owns or holds an interest in a Competitive Business and (ii) is not a Majority Competitive Business.

"Negotiation Notice" is defined in Section 2.2(c).

"Notice Period" is defined in Section 2.2(c).

"Parent" means, with respect to a Person, (a) the Affiliate of such Person that (i) Controls such Person and (ii) is not Controlled by any other Person and (b) initially, AGL Parent, Atmos Parent, Peoples Parent and Piedmont Parent, as applicable.

"Permitted Activities" is defined in Section 2.4.

"Purchase Notice" is defined in Section 2.2(e).

"Restricted Activities" is defined in Section 2.1(a).

"Restricted Party" means each Party other than the Partnership and the General Partner.

"Term" is defined in Section 4.1.

1.2 OTHER DEFINED TERMS. Capitalized terms used in this Agreement and not defined in this Agreement shall have the meanings given in the Formation Agreement.

1.3 CONSTRUCTION. Unless the context requires otherwise: (a) the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine, and neuter; (b) the term "include" or "includes" means "includes, without limitation," and "including" means "including, without limitation"; (c) references to Articles and Sections refer to Articles and Sections of this Agreement; (d) references to Exhibits refer to the Exhibits attached to this Agreement, which are made a part hereof for all purposes; (e) references to Laws refer to such Laws as they may be amended from time to time, and references to particular provisions of a Law include any corresponding provisions of any succeeding Law; and (f) references to money refer to legal currency of the United States of America.

ARTICLE 2
NONCOMPETITION AGREEMENT

2.1 NONCOMPETITION COVENANT.

(a) Except for Permitted Activities and except as provided in Sections 2.2 and 2.3, each Restricted Party hereby agrees not to engage, invest or participate, directly or indirectly, in any Competitive Business during the Term, including the ownership, management, operation or control of (or participation in the ownership, management, operation or control of) any Person engaged in any Competitive Business (collectively, the "Restricted Activities").

(b) Each Parent of a Venturer agrees to cause each of its Controlled Affiliates that is not a Party hereto to comply with all provisions of this Agreement that are applicable to its Controlled Affiliates that are a Party hereto as if such provisions were applicable in full to such Controlled Affiliates.

2.2 PARTNERSHIP'S PURCHASE RIGHT.

(a) Majority Competitive Business Acquisitions. No Restricted Party may acquire an interest in, directly or indirectly, a Majority Competitive Business.

(b) Minority Competitive Business Acquisitions. If an Acquiring Party has acquired an interest in, directly or indirectly, a Minority Competitive Business, the Acquiring Party must give written notice of such acquisition to the other parties and the Partnership (the "Acquisition Notice"). The Acquiring Party shall give the Acquisition Notice no later than five Business Days after the Acquiring Party first acquires any interest in such Minority Competitive Business. The Acquisition Notice shall include all details of the Competitive Business and copies of all instruments, proposals, drawings, agreements, summaries, evaluations, and other information in the Acquiring Party's possession related to such Competitive Business. The Acquisition Notice also shall include an itemized statement detailing a reasonable good faith estimate of the fair market value of such Competitive Business (determined as of the date the Acquiring Party first acquired an interest in such Competitive Business) and such other information as the Partnership reasonably requests. Within five Business Days after receipt of the

Acquisition Notice, the Partnership and the Other Venturers will execute a confidentiality agreement in a form reasonably satisfactory to the Acquiring Party.

(c) For 20 Business Days (the "Notice Period") after receipt of the Acquisition Notice, the Partnership may elect by notice to the Acquiring Party (the "Negotiation Notice") to negotiate to purchase all, but not less than all, of such Acquiring Party's interest in such Competitive Business at the Enterprise Value thereof. Immediately following the receipt of the Negotiation Notice, the Partnership and the Acquiring Party shall initiate negotiations to determine Enterprise Value.

(d) If the Partnership does not give Negotiation Notice to the Acquiring Party within the Notice Period or if during the Notice Period the Partnership furnishes written notice to the Acquiring Party of its election not to acquire an interest in the Competitive Business (which notice shall be deemed to be irrevocable), then the Partnership will have no further rights to acquire any interest in the Competitive Business, and operating such Competitive Business will be a Permitted Activity under this Agreement.

(e) Within ten Business Days after the final determination of the Enterprise Value, the Partnership must provide notice (the "Purchase Notice") to the Acquiring Party if the Partnership elects to purchase all, but not less than all, of the Acquiring Party's interest in the Competitive Business. Within 40 Business Days of its receipt of such Purchase Notice, the Partnership shall pay the Acquiring Party the Enterprise Value of such Competitive Business and the Acquiring Party shall assign to the Partnership all of its interest in such Competitive Business.

(f) If the Partnership does not provide a Purchase Notice within ten Business Days after the final determination of the Enterprise Value or if the Partnership elects in the Purchase Notice not to purchase such interest, then (i) the Partnership will have no further rights to acquire an interest in the Competitive Business, (ii) the Partnership will pay all appraisal costs related to the determination of the Enterprise Value of such interest and (iii) operating such Competitive Business will be a Permitted Activity under this Agreement.

(g) The Acquiring Party shall not negotiate or enter into any agreements or contracts related to the acquisition of an interest in the Competitive Business that would prohibit, restrict, or otherwise limit the rights of the Partnership freely to acquire an interest in the Competitive Business or otherwise to exercise its rights hereunder.

2.3 CHANGE OF CONTROL OF VENTURER. If (a) a Change of Control of any Venturer (the "Acquired Venturer") occurs, (b) the Acquired Venturer's Class A Units and Limited Partner Interests are not purchased by any Other Venturer or Venturers pursuant to Section 3.1 of the Transfer Restriction Agreement and (c) the Acquired Venturer's Class A Units are not converted to Class B Units, then the Person acquiring the Acquired Venturer (the "Acquiror") must execute and will be bound by all provisions of this Agreement as provided in Section 3.1(f) of the LLC Agreement; provided, however, that if the Acquiror owns or has an interest in a Competitive Business (the

"Acquiror Competitive Business"), operating such Acquiror Competitive Business will be a Permitted Activity under this Agreement.

2.4 PERMITTED ACTIVITIES. The provisions of Section 2.1 shall not be construed to prohibit or restrict any Restricted Party from engaging in the following activities (the "Permitted Activities"):

(a) owning, individually or in the aggregate, less than ten percent of any class of securities listed for or admitted to trading on a national or foreign securities exchange or on The Nasdaq Stock Market;

(b) rendering services for, providing consultation to, or furnishing materials to the Partnership or the General Partner;

(c) providing engineering services to unrelated third parties with respect to Restricted Activities to be conducted by such third parties;

(d) owning and operating such Venturer's Excluded Assets;

(e) administering any contracts that are to be transferred to the Partnership, which transfer requires the consent of a third party or the approval of a Governmental Authority that has not yet been obtained;

(f) the purchase, sale, exchange, marketing, trading, storage or transportation of propane solely for the purposes of using such propane for peak shaving in connection with such Restricted Party's natural gas business or its electrical power generation facilities;

(g) engaging in an Acquiror Competitive Business under Section 2.3;

(h) engaging in a Competitive Business as an Acquiring Party, if permitted by Section 2.2(d) or Section 2.2(f); or

(i) engaging in the bulk wholesale delivery of propane to commercial and industrial customers primarily for use as interruptible fuel through AGL Parent's and Piedmont's ownership and operation of Southstar Energy Services, LLC, a Delaware limited liability company, or any successor entity, and all matters which are reasonably attendant thereto.

2.5 DURATION AND SCOPE. The Parties acknowledge their belief and agreement that the duration and scope of the noncompetition covenants set forth in this Article 2 and in Article 4 are fair and reasonable. If any of the restrictions contained in this Article 2 or in Article 4 is determined by any court of competent jurisdiction to be invalid or unenforceable, or to be enforceable only if modified in duration or scope, each Party agrees that:

(a) this Agreement shall be automatically amended in duration and scope for application in the jurisdictional area of such court, without any further action by any of the Parties, so as to provide the maximum duration and scope enforceable in accordance with Applicable Law;

(b) the reviewing court or arbitration panel is authorized and empowered to rewrite any such unenforceable provision in a manner that will result in such restriction being enforceable in such court or arbitration panel's jurisdictional area, provided, that if the reviewing court or arbitration panel will not exercise its power to rewrite any such unenforceable provision, the Parties will amend this Agreement to rewrite any such unenforceable provision in a manner that will result in such restriction being enforceable in such court or arbitration panel's jurisdictional area; and

(c) the terms and provisions of this Agreement will remain in full force and effect, as originally written, in all areas outside the jurisdictional area of such court.

ARTICLE 3
REMEDIES

3.1 REMEDIES. The covenants and obligations contained in this Agreement relate to special, unique and extraordinary matters. Each of the conditions and restraints contained herein is necessary for the reasonable and proper protection of each of the Parties and is reasonable with respect to subject matter, length of time and geographic area. Each of the Parties further agrees that a violation of any of the terms hereof would cause irreparable injury in an amount that would be impossible to estimate or determine and for which any remedy at law would be inadequate. Consequently, each Party agrees that upon any breach or threatened breach of this Agreement by such Party, any Other Party affected by such breach shall be entitled to preliminary and permanent injunctive relief against such breach or threatened breach, without having to post bond or provide any other form of security, and that each Party shall have the remedy of specific performance, which rights and remedies shall be cumulative and nonexclusive and shall be in addition to any other rights and remedies otherwise available under any other contract or agreement or at law or in equity and to which such Party might be entitled.

ARTICLE 4
TERM

4.1 TERM. The term of this Agreement (the "Term") shall commence on the Closing Date and continue until the earlier of the second anniversary of the date of an IPO or the fifth anniversary of the Closing Date; provided, however, that this Agreement will terminate with respect to a Venturer on any earlier date that is the second anniversary of the first day that such Venturer and its Affiliates, collectively, hold no Class A Units.

ARTICLE 5
MISCELLANEOUS

5.1 NOTICES.

(a) All notices, requests, demands and other communications required or permitted to be given or made hereunder by any Party shall be in writing, and shall be delivered either personally, or by registered or certified mail (postage prepaid and return receipt requested) or by express courier or delivery service, or by telegram, telefax, telex or similar facsimile means, to the Parties, at the addresses (or at such other addresses as shall be specified by the Parties by like notice) for notice set forth for the Parties in Section 10.1 of the Formation Agreement.

(b) Notices and other communications shall be deemed given or made (i) when received, if sent by telegram, telefax, telex or similar facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by telefax, telex or similar facsimile means) and (ii) when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by registered or certified mail or sent by express courier or delivery service, except in the case of facsimile transmissions received after the normal close of business at the receiving location, which shall be deemed given on the next Business Day.

5.2 ENTIRETY. This Agreement (along with the Formation Agreement and the various agreements to be entered into pursuant to the provisions contained in the Formation Agreement) constitutes the entire agreement between the Parties with respect to the subject matter hereof.

5.3 BINDING EFFECT; ASSIGNMENT; NO THIRD PARTY BENEFIT. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any Party without the prior written consent of each of the Venturers, and any purported assignment without such consent shall be void, except that the Partnership may assign all of its rights under this Agreement to Heritage Operating, L.P., without the prior written consent of the other parties upon consummation of the transactions contemplated by the Contribution Agreement. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the Parties, and their respective successors and permitted assigns, any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

5.4 SEVERABILITY. If any provision of this Agreement is held to be unenforceable after the application of Section 2.5, this Agreement shall be considered divisible and such provision shall be deemed inoperative to the extent it is deemed unenforceable, and in all other respects this Agreement shall remain in full force and effect; provided, however, that if any such provision may be made enforceable by

limitation thereof, then such provision shall be deemed to be so limited and shall be enforceable to the maximum extent permitted by Applicable Law.

5.5 GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware.

5.6 DESCRIPTIVE HEADINGS. The descriptive headings herein are inserted for convenience of reference only, do not constitute a part of this Agreement and shall not affect in any manner the meaning or interpretation of this Agreement.

5.7 COUNTERPARTS. This Agreement may be executed by the Parties in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

5.8 DISPUTE RESOLUTION. Any claim, dispute or controversy of any kind now existing or hereafter arising between any of the Parties or their Affiliates and pertaining to the interpretation or breach of this Agreement shall be subject to the dispute resolution procedures set forth in Section 10.9 of the Formation Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the day and year first above written.

AGL Parent

AGL RESOURCES INC.,
A GEORGIA CORPORATION

By:

Name:

Title:

AGL INVESTMENTS, INC.,
A GEORGIA CORPORATION

By:

Name:

Title:

AGL PROPANE SERVICES, INC.,
A DELAWARE INVESTMENT HOLDING COMPANY

By:

Name:

Title:

AGL ENERGY CORP.,
A DELAWARE INVESTMENT HOLDING COMPANY

By:

Name:

Title:

Atmos Parent

ATMOS ENERGY CORPORATION,
A TEXAS AND VIRGINIA CORPORATION

By:

Name:

Title:

Peoples Parent

TECO ENERGY, INC.,
A FLORIDA CORPORATION

By:

Name:

Title:

TECO PROPANE VENTURES, LLC,
A FLORIDA LIMITED LIABILITY COMPANY

By:

Name:

Title:

Piedmont Parent

PIEDMONT NATURAL GAS COMPANY, INC.,
A NORTH CAROLINA CORPORATION

By:

Name:

Title:

PNG ENERGY COMPANY,
A NORTH CAROLINA CORPORATION

By:

Name:

Title:

PIEDMONT PROPANE COMPANY,
A NORTH CAROLINA CORPORATION

By:

Name:

Title:

Partnership

U.S. PROPANE, L.P.,
A DELAWARE LIMITED PARTNERSHIP

BY: U.S. PROPANE, L.L.C.,
ITS GENERAL PARTNER

By:

Name:

Title:

General Partner

U.S. PROPANE, L.L.C.,
A DELAWARE LIMITED LIABILITY COMPANY

By:

Name:

Title:

Exhibit 7.2(m) - 11

CONTRIBUTION AGREEMENT
EXECUTION COPY DATED JUNE 15, 2000

EXHIBIT A

VALUATION PROCEDURE

The Enterprise Value of any interest in a Competitive Business (the "Valued Interest") will equal the fair market value of such interest (as of the date the Acquiring Party first acquired an interest in such Competitive Business, without giving effect to such acquisition) determined using the following appraisal procedure:

1. SELECTION OF APPRAISERS. The Partnership will select an appraisal firm of national reputation by mutual written agreement (the "Purchaser Appraiser"). The Acquiring Party will select an appraisal firm of national reputation (the "Other Appraiser"). The Purchaser Appraiser and the Other Appraiser will select a third appraisal firm of national reputation by mutual written agreement (the "Third Appraiser" and, collectively with the Purchaser Appraiser and the Other Appraiser, the "Appraisers"). Each Appraiser will execute a confidentiality agreement in favor of the Partnership and the Acquiring Party in connection with such Appraiser's appraisal.

2. APPRAISAL PROCEDURE.

(a) Within 15 days after the selection of the Third Appraiser, each Appraiser will determine the fair market value of the Valued Interest (the "Value") as of the date the Acquiring Party first acquired an interest in such Competitive Business.

(b) The Values determined by each of the Appraisers will be averaged to determine the "Average Value." The two Values numerically closest to the Average Value will be averaged, and the average of such two Values will be the "Enterprise Value" of the Valued Interest for purposes of this Agreement; provided, however, that if the two Values numerically farthest from the Average Value are equally far from the Average Value, the "Enterprise Value" of the Valued Interest for purposes of this Agreement will be the Average Value.

(c) The determination of Enterprise Value set forth in this Exhibit A will be final and conclusive on the Parties.

3. COSTS. The Partnership will pay all costs of the Purchaser Appraiser, the Acquiring Party will pay all costs of the Other Appraiser (unless otherwise provided in Section 2.2(f) of the Agreement) and the Partnership will pay all other costs of appraisal under this Exhibit A, including all costs of the Third Appraiser.

4. EXTENSION OF TIME. The time periods provided in this Exhibit A will be automatically extended at the request of an Appraiser if necessary in order to obtain additional information or to provide a reasonable period of time to properly analyze information delivered to such Appraiser, but not more than 30 days.

5. CERTAIN INFORMATION. The Acquiring Party will provide the Appraisers access to all information, books and records and other data and documentation (including

matters that may be deemed trade secrets or otherwise confidential, provided an appropriate confidentiality agreement is executed) to the extent reasonably required by the Appraisers for purposes of determining the Enterprise Value of a Valued Interest and will fully and promptly cooperate with reasonable requests by the Appraisers for information regarding the Valued Interest or the Competitive Business. If financial information is provided to the Appraisers, the financial information will be prepared in accordance with U.S. GAAP, consistent with prior periods, or otherwise as agreed by the Parties.

6. FAIR MARKET VALUE. As used in this Exhibit A, "fair market value" means, when used with respect to any interest in a Competitive Business, the most probable cash price that such interest would bring at a fair sale thereof (taking into account, as appropriate, all liabilities relating to such interest, but excluding any tax or other benefit or liability realized or incurred by the Acquiring Party in connection with such sale), determined in a commercially reasonable manner, assuming that (i) each of the buyer and the seller acts prudently and knowledgeably, (ii) neither the buyer nor the seller is under compulsion to sell, buy or act under other undue stimulus, (iii) each of the buyer and the seller is typically motivated, well informed and advised and acting in what it considers to be its best interests and (iv) the payment of the purchase price is made in cash.

EXHIBIT 7.2(n)

ASSIGNMENT OF CONTRACT

This Assignment of Contract (this "Agreement"), dated effective as of _____, 2000, is by U.S. Propane, L.P., a Delaware limited partnership and U.S. Propane, L.L.C., a Delaware limited liability company (collectively, "Assignor") to Heritage Operating, L. P., a Delaware limited partnership ("Assignee").

RECITALS

Assignor desires to convey and transfer to Assignee, and Assignee desires to receive, all of Assignor's rights under the Noncompetition Agreement, dated _____, 2000, among Assignor and certain other parties (the "Assigned Contract").

AGREEMENT

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the parties hereto agree as follows:

ARTICLE 1
ASSIGNMENT

1.1 ASSIGNMENT OF CONTRACT. Assignor hereby assigns, transfers, bargains, and delivers unto Assignee, and its successors and assigns, all right, title, and interest of Assignor in, to and under the Assigned Contract. TO HAVE AND TO HOLD the Assigned Contract unto Assignee, and its successors and assigns forever, together with all and singular the rights and appurtenances belonging or pertaining thereto.

1.2 SUBSEQUENT ACTIONS. Assignor hereby covenants to and with Assignee, its successors and assigns, to execute and deliver to Assignee, its successors and assigns, all such other and further instruments of assignment and transfer, and all such notices, releases, and other documents, that would more fully and specifically assign and transfer to and vest in Assignee, its successors and assigns, the rights of Assignor in and to the Assigned Contract hereby assigned and transferred, or intended to be assigned and transferred.

ARTICLE 2
MISCELLANEOUS

2.1 GOVERNING LAW. This Agreement and the rights and obligations of Assignor and Assignee hereunder shall be governed by and interpreted in accordance with the laws of the State of Texas without giving effect to principles thereof relating to conflicts of law rules that would direct application of the laws of another jurisdiction.

2.2 BINDING EFFECT. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their successors and assigns.

2.3 MULTIPLE ORIGINALS. This Agreement may be executed in two originals, each of which shall be deemed an original, but both of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Agreement to be effective as of the day and year first above written.

Assignor

U. S. PROPANE, L.P.,
A DELAWARE LIMITED PARTNERSHIP

BY: U. S. PROPANE, L.L.C.,
ITS GENERAL PARTNER

By: ----------
Name: ----------
Title: ----------

Assignee

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

BY: HERITAGE HOLDINGS, INC.,
ITS GENERAL PARTNER

By: ----------
Name: ----------
Title: ----------

STATE OF)
----------)
COUNTY OF)

This instrument was acknowledged before me on _____, 2000 by _____, _____ of U. S. Propane, L.L.C., a Delaware limited liability company, as the general partner of U. S. Propane, L. P., a Delaware limited partnership.

Notary Public for the State of

My Commission Expires:

STATE OF)
----------)
COUNTY OF)

This instrument was acknowledged before me on _____, 2000 by _____, _____ of Heritage Holdings, Inc., a Delaware corporation, as the general partner of Heritage Operating, L.P., a Delaware limited partnership.

Notary Public for the State of

My Commission Expires:

EXHIBIT 7.2(o)

APPLICATION FOR ISSUANCE OF COMMON UNITS

The undersigned ("U.S. Propane") hereby applies for issuance of Common Units to the name of U.S. Propane of Common Units.

U.S. Propane (a) requests admission as a Substituted Limited Partner in respect of Common Units and agrees to comply with and be bound by, and hereby executes, the Amended and Restated Agreement of Limited Partnership of Heritage MLP (the "Partnership"), as amended, supplemented or restated to the date hereof (the "Partnership Agreement"), (b) represents and warrants that U.S. Propane has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appoints the General Partner of the Partnership and, if a Liquidator shall be appointed, the Liquidator of the Partnership as U.S. Propane's attorney-in-fact to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement and any amendment thereto and the Certificate of Limited Partnership of the Partnership and any amendment thereto, necessary or appropriate for U.S. Propane's admission as a Substituted Limited Partner and as a party to the Partnership Agreement, (d) gives the power of attorney provided for in the Partnership Agreement and (e) makes the waivers and gives the consents and approvals contained in the Partnership Agreement. Capitalized terms not defined herein have the meanings assigned to such terms in the Partnership Agreement.

Date:

- - - - ---
Signature of Authorized Signatory of U.S. Propane

- - - - ---
Identification number of U.S. Propane

- - - - ---
Name and Address of U.S. Propane

- - - - ---
Purchase Price including commission, if any

Type of Entity (check one):

o	Individual	o	Partnership	o	Corporation
o	Trust	o	Other (specify)		

Nationality (check one):

o	U.S. Citizen, Resident or Domestic Entity		
o	Foreign Corporation	o	Non-resident Alien

If the U.S. Citizen, Resident or Domestic Entity box is checked, the following certification must be completed.

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the "Code"), the Partnership must withhold tax with respect to certain transfers of property if a holder of an interest in the Partnership is a foreign person. To inform the Partnership that no withholding is required with respect to the undersigned interestholder's interest in it, the undersigned hereby certifies the following (or, if applicable, certifies the following on behalf of the interestholder):

Complete Either A or B:

A. Individual Interestholder

1. I am not a non-resident alien for purposes of U.S. income taxation.

2. My U.S. taxpayer identification number (Social Security Number) is _____.

3. My home address is _____

4. My taxable year ends on December 31st.

B. Partnership, Corporation or Other Interestholder

1. _____ is not a foreign
(Name of Interestholder)

corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and Treasury Regulations).

2. The interestholder's U.S. employer identification number is _____.

3. The interestholder's office address and place of incorporation (if applicable) is _____

4. The interestholder's taxable year ends on December 31st.

The interestholder agrees to notify the Partnership within sixty (60) days of the date the interestholder becomes a foreign person.

The interestholder understands that this certificate may be disclosed to the Internal Revenue Service by the Partnership and that any false statement contained herein could be punishable by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete and, if applicable, I further declare that I have authority to sign this document on behalf of

---
Name of Interestholder

Signature and Date

Title (if applicable)

Note: If U.S. Propane is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or, in the case of any other nominee holder, a person performing a similar function. If U.S. Propane is a broker, dealer, bank, trust company, clearing corporation, other nominee owner or an agent of any of the foregoing, the above certification as to any person for whom U.S. Propane will hold the Common Units shall be made to the best of U.S. Propane's knowledge.

Exhibit 7.2(o) - 3

CONTRIBUTION AGREEMENT
EXECUTION COPY DATED JUNE 15, 2000

EXHIBIT 10.10

DISPUTE RESOLUTION PROCEDURES

1. GENERAL PROCEDURE. The Parties shall use the procedures set forth in this Exhibit 10.10 to resolve in good faith any dispute, controversy or claim (i) arising between the LP, on the one hand, and one or both of Heritage MLP and Heritage OLP, on the other hand (together the "Disputing Heritage Parties"), and (ii) related to this Agreement, including any dispute over the performance, breach, termination or interpretation of this Agreement; provided, however, that a Party may seek equitable relief prior to using the procedures set forth in this Exhibit 10.10 if, in the reasonable judgment of such Party, such Party will suffer irreparable harm if such equitable relief is not granted. Nothing herein is intended (i) to address disputes, controversies or claims arising between Heritage MLP and Heritage OLP that do not involve the LP or (ii) to limit the Parties from resolving informally among them any dispute, controversy or claim that may arise.

2. MEDIATION. If any dispute, controversy or claim arises between the LP and the Disputing Heritage Parties after the Closing Date and the LP and the Disputing Heritage Parties cannot resolve such dispute, controversy or claim informally, then the LP and the Disputing Heritage Parties shall attempt in good faith to settle the matter by submitting the dispute, controversy or claim to mediation within 30 days after the date that the dispute, controversy or claim arises, using any mediator upon which they mutually agree. If the LP and the Disputing Heritage Parties are unable to agree mutually upon a mediator within 15 days after submitting to mediation, the case shall be referred to the _____ office of the American Arbitration Association ("AAA") for mediation. The cost of the mediator will be paid by the LP, on the one hand, and the Disputing Heritage Parties, on the other hand, equally.

3. ARBITRATION.

3.1 ALL DISPUTES ARBITRATION. All disputes between the LP and the Disputing Heritage Parties arising under this Agreement and not resolved through negotiation or mediation shall be submitted to arbitration in accordance with this Section 3.1 or, if one exists, the similar arbitration provision of the Stock Purchase Agreement or the Subscription Agreement, and the Parties hereby expressly waive all rights to have any such disputes heard before a court of law, except the right to enforce an arbitration award as described in Section 3.5 below. Arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Section 1, et seq., and not by the arbitration acts, statutes or rules of any other jurisdiction. In the event of a conflict between the terms of this Section 3.1 and the terms of an express arbitration provision in the Stock Purchase Agreement or the Subscription Agreement, the arbitration provision in such other agreement shall control as to any disputes arising under that agreement.

3.2 PROCEDURE. In the event the LP and the Disputing Heritage Parties are unable to resolve a dispute arising under this Agreement or the Stock Purchase

Agreement or the Subscription Agreement after exercising good faith efforts to do so pursuant to the procedures of Section 2 hereof, the LP or the Disputing Heritage Parties, as the case may be, may require that the matter be resolved through binding arbitration by submitting a written notice to the other Parties (including notice to any Heritage Party that is not a Disputing Heritage Party). The Party giving notice shall select one of three arbitrators and shall prepare a written notice containing the name of such Party's arbitrator and a statement of the issue(s) presented for arbitration. Within 15 days after receipt of a notice of arbitration, the LP (if the Party giving notice is a Disputing Heritage Party) or the Disputing Heritage Parties (if the Party giving notice was the LP) shall select the second of three arbitrators by written notice and may designate any additional issue(s) for arbitration. The two named arbitrators shall select the third arbitrator within 15 days after the date on which the second arbitrator was named. Should the two arbitrators fail to agree on the selection of the third arbitrator, any Party shall be entitled to request the Senior Judge of the United States District Court of the _____ District of _____ to select the third arbitrator. If the Senior Judge refuses or is unable to select the third arbitrator, the Parties shall ask the AAA to appoint the third arbitrator, it being understood, however, that the AAA shall not act as administrator of the arbitration. All arbitrators shall be qualified by education or experience within the propane or energy industry (to the extent relevant) to decide the issues presented for arbitration. No arbitrator shall be a current or former director, officer or employee of any Party, or any of its Affiliates; an attorney (or member of a law firm) who has rendered legal services to any Party, or its Affiliates, within the preceding three years; or an accountant (or member of an accounting firm) who has rendered accounting or consulting services to any Party or its Affiliates, within the preceding three years; or an owner of any debt or equity securities (including but not limited to common or preferred stock or any derivatives thereof) of any Party or its Affiliates.

3.3 ARBITRATION HEARINGS. The three arbitrators shall commence the arbitration hearing within 25 days following the appointment of the third arbitrator, or at such later date as the LP and the Disputing Heritage Parties may agree. The proceeding shall be held at a mutually acceptable site in _____. If the LP and the Disputing Heritage Parties are unable to agree on a site, the arbitrators shall select a site. The arbitrators shall have the authority to establish rules and procedures governing the arbitration hearing. The LP and the Disputing Heritage Parties shall have the opportunity to present evidence at the hearing. The arbitrators may call for the submission of pre-hearing statements of position and legal authority. The arbitration panel shall not have the authority to award punitive or exemplary damages, nor shall the arbitration panel have any authority to terminate this Agreement unless that issue is made subject to arbitration under the express terms of this Agreement. The arbitrators' decision must be rendered within 30 days following the conclusion of the hearing or submission of evidence, but no later than 90 days after appointment of the third arbitrator.

3.4 ARBITRATION DECISION. The decision of the arbitrators, or a majority of them, shall be in writing and shall be final and binding upon the Parties as to the issue submitted. The LP and the Disputing Heritage Parties shall bear the expense and cost of its attorneys and witnesses. The expense and cost of the arbitrators shall be paid by the

LP, on the one hand, and the Disputing Heritage Parties, on the other hand, equally, or as the arbitrators may otherwise determine is just and equitable.

3.5 ENFORCEMENT OF AWARD. Judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction. The prevailing Party or Parties shall be entitled to reasonable attorneys' fees in any court proceeding necessary to enforce or collect any award or judgment rendered by the arbitrators.

EXHIBIT 10.17.1

CONTRIBUTION AGREEMENT

AMENDMENT NO. 1

This Amendment No. 1 ("Amendment") of the Contribution Agreement (the "Agreement"), dated as of June 15, 2000, effective as of August 10, 2000 is entered into by and among the following:

1. U.S. Propane, L.P., a Delaware limited partnership ("LP");

2. Heritage Operating, L.P., a Delaware limited partnership ("Heritage OLP"); and

3. Heritage Propane Partners, L.P., a Delaware limited partnership ("Heritage MLP").

Capitalized terms not defined herein shall have the meanings assigned to them in the Agreement.

RECITALS

WHEREAS, the parties desire to restate Section 2.3 of the Agreement to accurately reflect the number of Common Units to be issued to the LP in exchange for the contribution of Heritage OLP Interests; and

WHEREAS, the parties desire to restate Section 4.2(a) of the Agreement to provide for each Contributed Sub to become qualified to do business in each of the states where it will do business; and

WHEREAS, the parties desire to restate Section 6.17 of the Agreement to accurately reflect the agreement of Heritage GP and the LP and their respective successors and assigns with respect to the vote of their Common Units; and

WHEREAS, the parties desire to restate Exhibit 2.6 to the Agreement to reflect the appropriate date for the determination of Net Working Capital.

AMENDMENT

NOW, THEREFORE, Exhibit 2.6 to the Agreement is hereby deleted in its entirety and replaced with that certain Exhibit 2.6 attached as Annex I hereto, and Sections 2.3, 4.2(a) and 6.17 are hereby deleted in their entirety and restated to read as follows:

2.3 ISSUANCE OF CERTIFICATE FOR COMMON UNITS. In exchange for the contribution of Heritage OLP Interests by the LP pursuant to Section 2.2(f), Heritage MLP shall issue to the LP a certificate representing Common Units, with the number of Common Units to be equal to the quotient (rounded to the nearest whole number) of $7,347,759.65 divided by the Average Price.

4.2 ORGANIZATION AND CAPITALIZATION OF THE CONTRIBUTED SUBS.

(a) Each of the Contributed Subs that is a limited liability company will be, as of the Closing, duly organized under the laws of the jurisdiction of its formation, qualified to do business in each jurisdiction where the character of its business requires it to be so qualified (or, as of the Closing, such qualification shall be applied for and certified by an officer of such Contributed Sub) and will be wholly owned by the LP. None of the Contributed Subs will have any Subsidiaries or any equity interest in any other Person.

6.17 VOTE OF COMMON UNITS. Heritage GP and the LP and their respective successors and assigns hereby covenant and agree to vote all of their Common Units (other than those issued pursuant to Section 2.3 (the "New Units")) at each meeting or vote of holders (the "Unitholders") of the Common Units, with respect thereto, for approval of the conversion of Class B Subordinated Units to Common Units (the "Conversion"), for the admission of the LP or its designee as general partner of Heritage MLP (the "Admission"), and for any amendment of the Heritage MLP Partnership Agreement related thereto. The LP agrees to grant James E. Bertelsmeyer and H. Michael Krimbill its proxy, at each meeting or other vote of the Unitholders related to the Conversion, the Admission or any amendment of the Heritage MLP Partnership Agreement related thereto, to vote its New Units in the manner required by rule or interpretation of the New York Stock Exchange, Inc. (the "NYSE") for the listing of the New Units on the NYSE.

RATIFICATION OF CONTRIBUTION AGREEMENT

FURTHER RESOLVED, that, except as expressly amended and restated herein, all of the terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed as of the day and year first written above.

U.S. PROPANE, L.P.,
A DELAWARE LIMITED PARTNERSHIP

BY: U.S. PROPANE, L.L.C.,
ITS GENERAL PARTNER

By:

Name:
Title:

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

BY: HERITAGE HOLDINGS, INC.,
ITS GENERAL PARTNER

By:

Name:
Title:

HERITAGE PROPANE PARTNERS, L.P.,
A DELAWARE LIMITED PARTNERSHIP

BY: HERITAGE HOLDINGS, INC.,
ITS GENERAL PARTNER

By:

Name:
Title:

EXHIBIT 2.6

ANNEX I

NET WORKING CAPITAL

PART 1

Definition of Net Working Capital

As used herein, the term "Net Working Capital" shall be determined for the LP on a consolidated basis including all assets held by each Contributed Sub as of 12:01 a.m. on August 1, 2000 (the "Accounting Effective Time") and shall mean the current assets minus the assumed liabilities of such Contributed Sub as of the Accounting Effective Time, as such items are determined in accordance with GAAP but subject to the adjustments specified below under "Adjustments to Current Assets and Assumed Liabilities."

Adjustments to Current Assets and Assumed Liabilities

Current assets include:

- Cash and cash equivalents
- Accounts receivable
- Notes receivable
- Liquids inventory
- Appliances
- Non-consumable operating materials and supplies (based on a physical inventory conducted within 60 days of the Accounting Effective Time and adjustment to the Accounting Effective Time if necessary), including parts, fittings and regulators
- Prepaid expenses
- Prepaid utilities, service charges and rentals

Assumed Liabilities include:

- Accounts payable
- Accrued liabilities (such as vacation and payroll)
- Deferred credits (such as customer deposits, escheat and Permits)
- Non-income taxes payable (such as sales taxes, motor fuel taxes and property taxes)
- Present value of vehicle leases, discounted at 10% (discount rate subject to auditor approval)
- The present value of payment obligations under noncompetition agreements, to the extent included in the balance sheet and not expensed, discounted at 10% (discount rate subject to auditor approval)
- Credit balances on accounts receivable (prebuys, overpayments, budget plans)

Assumed Liabilities do not include debt of the Contributed Subs repaid in accordance with Section 2.2(e) of the Contribution Agreement.

PART 2

Valuation of Net Working Capital

The Net Working Capital shall be valued as of the Accounting Effective Time using the following valuation conventions:

Except to the extent the LP provides sufficient documentation to reasonably support a different valuation percentage, each account receivable shall be valued based on a percentage of its face amount based on the age of such account or note receivable as of the Accounting Effective Time as follows:

Age of Receivable in Days	Percentage
0-30	100%
31-90	90%
91-120	75%
>120	50%

Liquids inventory:

1. Working inventories are those gallons which are held at branch/satellite facilities and are used in the normal course of business for daily usage/deliveries. Those inventories should be valued at the laid-in market prices, which is based on applicable pipeline posted prices at the Accounting Effective Time.

2. Supply position inventories are those inventories which have been purchased for future delivery or placed into storage for use as demand requires. These volumes could represent gallons that have been pre-sold or bought to protect against anticipated possible cost changes. These inventories should be valued at cost, including freight, storage and hedging cost.

Each appliance shall be valued based on a percentage of original cost based on the age of such appliance as of the Accounting Effective Time as follows:

Age of Appliance in Months	Percentage
0-12	100%
13-18	75%
>18	0%

Non-consumable operating materials and supplies shall be valued at the lower of cost or fair market value as of the Accounting Effective Time.

Prepaid expenses shall be valued as of the Accounting Effective Time in accordance with GAAP.

All other items comprising Net Working Capital and not otherwise addressed herein shall be valued as of the Accounting Effective Time in accordance with GAAP.

EXHIBIT 10.18

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COMMON UNITS
REPRESENTING COMMON LIMITED PARTNER INTERESTS
AND
CLASS B SUBORDINATED UNITS
REPRESENTING CLASS B SUBORDINATED LIMITED PARTNER INTERESTS

HERITAGE PROPANE PARTNERS, L.P.

SUBSCRIPTION AGREEMENT

JUNE 15, 2000

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EXHIBITS

ANNEXES

SUBSCRIPTION AGREEMENT

This Subscription Agreement (this "Agreement"), dated as of June 15, 2000, is entered into by and among the following:

1. Heritage Propane Partners, L.P., a Delaware limited partnership ("Heritage MLP"); and

2. James E. Bertelsmeyer and Donna C. Bertelsmeyer, as Tenants by the Entireties; H. Michael Krimbill; R. C. Mills; G. A. Darr; The Beth Elise Bertelsmeyer Snapp Trust; The Amy Rene Bertelsmeyer Trust; The John D. Capps Trust; J. Charles Sawyer; Bill W. Byrne; Robert K. Blackman; Byron Jay Cook; Blaine L. Cronn; Mark A. Darr; Larry J. Lindsey; Ray S. Parsons; Charles B. Pass; Kermit V. Jacobsen; Thomas H. Rose; C. H. Timberlake, III; Curtis L. Weishahn; William V. Cody; James C. Hamilton, II; and Jack McKeehan (collectively, the "Heritage GP Stockholders").

RECITALS

1. Each of the Heritage GP Stockholders has agreed to purchase Common Units or Class B subordinated limited partner interests ("Class B Subordinated Units" and, together with the Common Units to be issued under this Agreement, the "Units") of Heritage MLP at a cash purchase price (the "Cash Purchase Price") set forth opposite such GP Stockholder's name in Annex I hereto on the terms and subject to the conditions set forth in this Subscription Agreement;

2. Heritage MLP and each of the Heritage GP Stockholders have executed and delivered this Agreement to acknowledge each such Person's obligation to purchase or sell the Units; and

3. Heritage Holdings, Inc., a Delaware Corporation ("Heritage GP") is the sole general partner of Heritage MLP.

AGREEMENT

The Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 CERTAIN DEFINED TERMS. As used in this Agreement, each capitalized term used herein but not defined has the meaning given to it in the Contribution Agreement.

1.2 CERTAIN ADDITIONAL DEFINED TERMS. In addition to such terms as are defined in Section 1.1, the following terms are used in this Agreement as defined in the Articles or Sections set forth opposite such terms:

Defined Term	Article or Section Reference
Agreement	Preamble
Amendment No. 1	6.1(e)
Average Price	Annex I, Part 2
Cash Purchase Price	Recitals
Class B Subordinated Units	Recitals
Closing	Article 2
Closing Date	Article 2
Contribution Agreement	2.2
Conversion	5.3
Heritage GP	Recitals
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Third Party Action	7.3(a)
Unitholders	5.3
Units	Recitals

1.3 CONSTRUCTION. Unless the context requires otherwise: (a) the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine, and neuter; (b) the term "include" or "includes" means "includes, without limitation," and "including" means "including, without limitation"; (c) references to Articles and Sections refer to Articles and Sections of this Agreement; (d) references to Annexes, Exhibits and Schedules refer to the Annexes, Exhibits and Schedules attached to this Agreement, which are made a part hereof for all purposes; (e) references to Laws refer to such Laws as they may be amended from time to time, and references to particular provisions of a Law include any corresponding provisions of any succeeding Law; and (f) references to money refer to legal currency of the United States of America.

ARTICLE 2
CLOSING

The Closing of the transactions contemplated by Article 2 (the "Closing") will take place at the offices of Andrews & Kurth L.L.P., Houston, Texas and will be effective as of 12:01 a.m., Houston, Texas Time, on the closing date under the Contribution Agreement, or at such other time or place or on such other date as the Parties agree in writing (the "Closing Date"). Except for purposes of Section 2.1, all Closing transactions will be deemed to have occurred simultaneously.

2.1 PURCHASE AND SALE OF UNITS.

(a) On the basis of the representations, warranties and agreements of Heritage MLP herein contained and for other good and valuable consideration the sufficiency of which is hereby acknowledged, subject to all the terms and conditions of this Agreement, Heritage MLP agrees to issue and sell to each of the Heritage GP Stockholders, and each of such Heritage GP Stockholders, severally and not jointly, agrees to purchase from Heritage MLP, for a Cash Purchase Price set forth opposite the name of such Heritage GP Stockholder in Part 1 of Annex I, such number of Units as determined in accordance with Part 2 of Annex I, and such type of Units as determined in accordance with Part 3 of Annex I.

(b) The certificates for Units to be issued to the Heritage GP Stockholders shall bear a legend substantially in the form attached hereto as Annex II(B).

(c) The certificate for the Class B Subordinated Units shall be substantially in the form attached hereto as Annex III. The certificate for the Common Units shall be the certificate adopted and currently used for Common Units by Heritage MLP.

2.2 DELIVERY AND PAYMENT OF CASH PURCHASE PRICE.

(a) Delivery of the Units sold to each of the Heritage GP Stockholders purchasing Units at the Closing shall be made to the addresses specified under such Heritage GP Stockholder's name on Annex I or at such other address as a Heritage GP Stockholder may specify to Heritage MLP not later than 48 hours preceding the Closing. The Closing shall occur promptly after all of the conditions to closing specified in (i) the Contribution Agreement of even date herewith, among U.S. Propane, LP., Heritage Operating, L.P., a Delaware limited partnership ("Heritage OLP") and Heritage MLP (the "Contribution Agreement") and (ii) the Stock Purchase Agreement of even date herewith, among U.S. Propane, L.P., each of the Heritage GP Stockholders and FHS Investments, L.L.C., a Nevada limited liability company (the "Stock Purchase Agreement"), have been satisfied or waived.

(b) The cost of original issue tax stamps, if any, in connection with the issuance and delivery of the Units by Heritage MLP to the respective Heritage GP Stockholders shall be borne by Heritage MLP. Heritage MLP will pay and hold each of the Heritage GP Stockholders harmless for any and all liabilities with respect to or resulting from any failure or delay in paying federal and state stamp and other transfer taxes, if any, which may be payable or determined to be payable in connection with the original issuance or sale of the Units to the Heritage GP Stockholders.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE HERITAGE GP STOCKHOLDERS

For the purposes of this Agreement, each of the Heritage GP Stockholders, severally and not jointly, hereby represents and warrants to Heritage MLP as follows:

3.1 PRIVATE PLACEMENT EXEMPTION. Such Heritage GP Stockholder hereby acknowledges its understanding that the offering and sale of the Units will not be registered under the Securities

Act of 1933, as amended (the "Securities Act"), and will not be registered or qualified under the securities laws of any state, and is intended by Heritage MLP to qualify as an offering not involving a public offering within the meaning of Section 4(2) of the Securities Act and Regulation D promulgated thereunder and, therefore, to be exempt from the registration provisions of the Securities Act. The offering and sale of Units to the Heritage GP Stockholders is a private offering made only to certain qualified persons. Accordingly, the offering of the Units is being made pursuant to certain conditions, which, if satisfied, should qualify the offering for the private placement exemption provided by Regulation D. These conditions relate to limitations on the manner of offering, the nature of the offerees, the state of residence of investors, access to or furnishing information about the issuer, limitations on the number of purchasers and limitations on the subsequent disposition of the securities acquired. In connection therewith, each of the Heritage GP Stockholders hereby represents to Heritage MLP that the undersigned is an "accredited investor" as such term is defined in Regulation D promulgated under the Securities Act.

3.2 SEC REPORTS. Such Heritage GP Stockholder represents that (a) it and its purchaser representative (if any) has received copies (or copies have been made available to such Person(s)) of Heritage MLP's annual report on Form 10-K for the year ended August 31, 1999 and quarterly reports on Form 10-Q filed by Heritage MLP with the Securities and Exchange Commission (the "SEC") since August 31, 1999 (the "SEC Reports"); (b) Heritage MLP has made available to the Heritage GP Stockholder and its purchaser representative (if any) the opportunity to ask questions, receive answers and to obtain any information that the Heritage GP Stockholder and its purchaser representative (if any) believed was or might be material to an evaluation of the merits and risks of an investment in the Units or necessary to verify the accuracy of information previously furnished by Heritage MLP; and (c) the Heritage GP Stockholder and its purchaser representative (if any) together have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of an investment in the Units.

3.3 INVESTMENT RISK. Such Heritage GP Stockholder recognizes that an investment in the Units is a speculative investment involving a high degree of risk.

3.4 ADEQUATE NET WORTH. Such Heritage GP Stockholder has adequate net worth and means of providing for the Heritage GP Stockholder's current needs and possible personal contingencies, and the Heritage GP Stockholder has no need, and anticipates no need in the foreseeable future, to sell the Units which the Heritage GP Stockholder proposes to purchase. The Heritage GP Stockholder is able to bear the economic risks of this investment and, consequently, without limiting the generality of the foregoing, the Heritage GP Stockholder is able to hold such Heritage GP Stockholder's Units for an indefinite period of time and has a sufficient net worth to sustain a loss of such Heritage GP Stockholder's entire investment in such Units if such loss should occur.

3.5 INVESTMENT INTENT. The Units that may be acquired by the Heritage GP Stockholder will be acquired for the account of the Heritage GP Stockholder for investment only and not for the benefit of any other person or with a view toward resale or redistribution in a manner that could require registration under the Securities Act, and the Heritage GP Stockholder does not now have any reason to anticipate any change in the Heritage GP Stockholder's circumstances or other

particular occasion or event that would cause the Heritage GP Stockholder to sell such Heritage GP Stockholder's Units.

3.6 RESTRICTIONS ON TRANSFERABILITY. Such Heritage GP Stockholder acknowledges that substantial restrictions will be imposed on the transferability of the Units. Because the Units will not be registered under the Securities Act or any other applicable state securities law, the Units may not be, and the Heritage GP Stockholder agrees that the Units shall not be, sold or otherwise transferred unless (i) such sale or transfer is registered pursuant to any laws that are applicable to such sale or is exempt from such registration under the Securities Act, and any other applicable state securities or "Blue Sky" laws or regulations and (ii) Heritage MLP has received an opinion of counsel acceptable to it to such effect. In addition, the Units will be subject to the restrictions on transfer contained in the employment or consulting agreement to be entered into on the Closing Date between Heritage GP and such Heritage GP Stockholder.

3.7 NO SEC REVIEW. Such Heritage GP Stockholder acknowledges that such Heritage GP Stockholder has been advised that:

None of the Units have been approved or disapproved by the SEC or any state securities commission nor has the SEC or any state securities commission passed upon the accuracy or adequacy of any information provided to the Heritage GP Stockholders of the Units. Any representation to the contrary is a criminal offense.

The Units are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act, and applicable state securities or "Blue Sky" laws, pursuant to registration or exemption therefrom. In addition, the Units are subject to the transfer restrictions applicable to such Heritage GP Stockholder and described in the restrictive legend attached as Annex II.

3.8 DELIVERIES. Prior to Closing, each of the Heritage GP Stockholders shall complete, execute and deliver to Heritage a copy of the forms attached hereto as Annexes IV and V.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF HERITAGE MLP

For the purposes of this Agreement, Heritage MLP represents and warrants as set forth in this Article 4. The representations and warranties set forth in Article 4 of the Contribution Agreement and the related sections of the Disclosure Letters and definitions to the Contribution Agreement are restated hereby and incorporated herein by reference, except that the representations and warranties made herein are made by Heritage MLP as if it were the LP as set forth in Article 4 of the Contribution Agreement. The representations and warranties incorporated by reference in this Agreement shall be identified by the section numbers set forth in Article 4 of the Contribution Agreement, except for the insertion of the letters "SA" in front of each such section number or article number. Heritage MLP makes no representation or warranty that would relate to any of the Heritage Assets or Business (each as defined in the Contribution Agreement).

ARTICLE 5
AGREEMENTS OF THE PARTIES

Heritage MLP agrees with the Heritage GP Stockholders as provided in Sections 5.1, 5.2, 5.3 and 5.5 and Heritage GP agrees with the Heritage GP Stockholders as provided in Sections 5.4 and 5.5.

5.1 COSTS AND EXPENSES OF HERITAGE MLP. Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, Heritage MLP will pay, or reimburse if paid by the Heritage GP Stockholders, all costs and expenses incident to the performance of the obligations of Heritage MLP under this Agreement, including but not limited to costs and expenses of or relating to (i) the preparation, printing and filing with the SEC of the proxy statement and any documents so required to be filed with the SEC by Heritage MLP with respect to this Agreement or the transactions contemplated hereby, (ii) the preparation and delivery of certificates representing the Units to be issued at the Closing, (iii) the word processing, printing and reproduction of this Agreement, (iv) the registration or qualification of the Units for offer and sale under the securities or Blue Sky laws of such jurisdictions as Heritage MLP determines to be necessary or appropriate, and (v) the transfer agent for the Units.

5.2 USE OF PROCEEDS. Heritage MLP will apply the net proceeds from the offering and sale of the Units to be issued and sold by Heritage MLP pursuant to this Agreement to repay within 30 days a portion of the indebtedness incurred by Heritage OLP to consummate the transactions contemplated by the Contribution Agreement.

5.3 PREPARATION OF PROXY. As promptly as possible (but no later than 150 days) following the date of this Agreement, Heritage MLP shall prepare and file with the SEC a proxy statement soliciting the approval of holders of the Common Units of Heritage MLP (the "Unitholders") in favor of conversion of the Class B Subordinated Units to Common Units (the "Conversion"). If the Conversion has not been approved as of the end of the Subordination Period (as defined in the Heritage MLP Partnership Agreement), Heritage MLP shall prepare and file with the SEC an additional proxy statement soliciting the approval of the Unitholders in favor of the Conversion. Heritage MLP agrees to engage a proxy solicitor in connection with each proxy statement to solicit the affirmative votes of Unitholders in favor of the Conversion.

5.4 VOTE OF COMMON UNITS. Heritage GP and its successors and assigns and each Heritage GP Stockholder hereby covenant and agree to vote all of their respective Common Units, at each meeting or other vote of Unitholders with respect thereto, for approval of the Conversion, for the admission of U.S. Propane, L.P. or its designee as general partner of Heritage MLP, and for any amendment to the Heritage MLP Partnership Agreement related thereto.

5.5 ACTIONS BY PARTIES. Each Party agrees to use commercially reasonable best efforts to satisfy the conditions to Closing set forth in Article 6 and to use its commercially reasonable best efforts to refrain from taking any action within its control that would cause a breach of a representation, warranty, covenant or agreement set forth in this Agreement.

ARTICLE 6
CONDITIONS TO OBLIGATIONS OF THE PARTIES

6.1 CONDITIONS TO CLOSING OF THE HERITAGE GP STOCKHOLDERS. The obligations of the Heritage GP Stockholders to consummate the transactions contemplated by this Agreement at the Closing shall be subject to the fulfillment by Heritage MLP on or prior to the Closing Date of each of the following conditions:

(a) Representations and Warranties True. All the representations and warranties of Heritage MLP incorporated by reference in this Agreement, and in any instrument or document delivered by Heritage MLP pursuant to this Agreement on or prior to the Closing Date, shall be true and correct, individually and in the aggregate, in all material respects (other than any representation or warranty that is qualified by materiality or a U.S. Propane Material Adverse Effect, as defined in the Contribution Agreement, which shall be true and correct in all respects) as of the date of this Agreement and as of the Closing Date.

(b) Covenants and Agreements Performed. Heritage MLP shall have performed and complied with, in all material respects, all covenants and agreements required by this Agreement to be performed or complied with by it as of the Closing Date.

(c) Legal Proceedings. No preliminary or permanent injunction or other order, decree or ruling issued by a Governmental Authority, and no statute, rule, regulation, or executive order promulgated or enacted by a Governmental Authority, shall be in effect that restrains, enjoins, prohibits or otherwise makes illegal the consummation of the transactions contemplated hereby. No Proceeding before a Governmental Authority shall be pending (A) seeking to restrain or prohibit the consummation of the transactions contemplated hereby or (B) that could reasonably be expected, if adversely determined, to impose any material limitation on the ability of the Heritage MLP to issue and sell the Units.

(d) Registration Rights Agreement. The Registration Rights Agreement, substantially in the form attached hereto as Exhibit 6.1(d) (the "Registration Rights Agreement") shall have been executed and delivered by the parties thereto and all of the conditions to closing the transactions contemplated thereby shall have been satisfied.

(e) Amendment to Heritage MLP Partnership Agreement. Amendment No. 1 to the Amended and Restated Partnership Agreement of Heritage MLP, substantially in the form attached hereto as Exhibit 6.1(e) ("Amendment No. 1") shall have been duly executed and adopted and shall be in full force and effect.

(f) Contribution Agreement and Stock Purchase Agreement. The closing of the Contribution Agreement and Stock Purchase Agreement shall have occurred.

(g) Listing. The Common Units issuable to the Heritage GP Stockholders pursuant to this Agreement shall have been approved for listing on the New York Stock Exchange subject to official notice of issuance.

6.2 CONDITIONS TO CLOSING OF HERITAGE MLP. The obligations of Heritage MLP to consummate the transactions contemplated by this Agreement at the Closing shall be subject to the fulfillment by each of the Heritage GP Stockholders, jointly and severally, on or prior to the Closing Date of each of the following conditions:

(a) Representations and Warranties True. All the representations and warranties of the Heritage GP Stockholders contained in this Agreement, and in any agreement, instrument or document delivered by the Heritage GP Stockholders pursuant to this Agreement on or prior to the Closing Date shall be true and correct, individually and in the aggregate, in all material respects (other than any representation or warranty that is qualified by materiality, which shall be true and correct in all respects) as of the date of this Agreement and as of the Closing Date.

(b) Covenants and Agreements Performed. Each of the Heritage GP Stockholders shall have performed and complied with, in all material respects, all covenants and agreements required by this Agreement to be performed or complied with by it as of the Closing Date.

(c) Legal Proceedings. No preliminary or permanent injunction or other order, decree or ruling issued by a Governmental Authority, and no statute, rule, regulation or executive order promulgated or enacted by a Governmental Authority, shall be in effect that restrains, enjoins, prohibits or otherwise makes illegal the consummation of the transactions contemplated hereby. No Proceeding before a Governmental Authority shall be pending (A) seeking to restrain or prohibit the consummation of the transactions contemplated hereby or (B) that could reasonably be expected, if adversely determined, to impose any material limitation on the ability of Heritage MLP to issue and sell the Units.

(d) Amendment No. 1. Amendment No. 1 shall have been duly executed and adopted and shall be in full force and effect.

(e) Contribution Agreement and Stock Purchase Agreement. The closing of the Contribution Agreement and Stock Purchase Agreement shall have occurred.

(f) Listing. The Common Units issuable to the Heritage GP Stockholders pursuant to this Agreement shall have been approved for listing on the New York Stock Exchange subject to official notice of issuance.

ARTICLE 7
INDEMNIFICATION; SURVIVAL OF REPRESENTATIONS

7.1 INDEMNIFICATION OBLIGATIONS OF THE HERITAGE GP STOCKHOLDERS. From and after the Closing Date, the Heritage GP Stockholders, jointly and severally, shall indemnify Heritage GP, Heritage MLP and their respective Affiliates and hold such parties harmless against and in respect of any and all losses, damages, liabilities, claims, costs and expenses (including, without limitation, related reasonable out-of-pocket legal fees and expenses), but excluding losses, damages, liabilities, claims, costs and expenses incurred in connection with or relating to lost profits or special, consequential, exemplary or punitive damages, except for fraud or intentional misconduct (collectively, the "Losses") arising out of, based upon or resulting from:

(a) the breach of any representation or warranty of the Heritage GP Stockholders contained in or made pursuant to this Agreement; or

(b) the breach by any of the Heritage GP Stockholders or failure of any of the Heritage GP Stockholders to observe or perform, in any material respect, any of their covenants or agreements contained in this Agreement.

Notwithstanding the foregoing, none of the Heritage GP Stockholders will have any obligation to indemnify Heritage GP, Heritage MLP or their Affiliates for Losses under Section 7.1(a) unless and until the aggregate amount of all such Losses under Section 7.1(a) exceeds $200,000 (regardless of whether, in the case of third party actions, suits or proceedings with respect to any of the foregoing, any of the Heritage GP Stockholders may have a meritorious defense), at and after which time the Heritage GP Stockholders shall be liable, jointly and severally, for all Losses in excess of $200,000. The rights and remedies of Heritage MLP based upon, arising out of or otherwise in respect of any clause of this Section 7.1 or any representation, warranty or covenant in this Agreement shall in no way be limited by the fact that the act, omission, occurrence or other state of facts upon which any such claim is based may also be the subject matter of any representation, warranty or covenant in this Agreement that would not give rise to any rights or remedies of Heritage MLP.

7.2 INDEMNIFICATION OBLIGATIONS OF HERITAGE MLP. From and after the Closing Date, Heritage MLP shall indemnify each of the Heritage GP Stockholders, and hold such Heritage GP Stockholders harmless against and in respect of any and all Losses arising out of, based upon or resulting from:

(a) the breach of any representation or warranty of Heritage MLP incorporated by reference in this Agreement, solely to the extent such representation and warranty applies to the Contributed Subs, the Contributed Interests, or the Transferred Assets; or

(b) the breach by Heritage MLP or failure of Heritage MLP to observe or perform, in any material respect, any of its covenants or agreements contained in this Agreement.

Notwithstanding the foregoing, Heritage MLP will not have any obligation to indemnify the Heritage GP Stockholders for Losses under Section 7.2(a) unless and until the aggregate amount of all such Losses under Section 7.2(a) exceeds $200,000 (regardless of whether, in the case of third party actions, suits or proceedings with respect to any of the foregoing, Heritage MLP may have a meritorious defense), at and after which time Heritage MLP shall be liable for all Losses in excess of $200,000. The rights and remedies of the Heritage GP Stockholders based upon, arising out of or otherwise in respect of any clause of this Section 7.2 or any representation, warranty or covenant in this Agreement shall in no way be limited by the fact that the act, omission, occurrence or other state of facts upon which any such claim is based may also be the subject matter of any representation, warranty or covenant in this Agreement that would not give rise to any rights or remedies of the Heritage GP Stockholders.

7.3 INDEMNIFICATION PROCEDURES.

(a) Promptly after receipt by any Person entitled to indemnification under Section 7.1 or Section 7.2 (an "indemnified Party") of notice of the commencement of any Proceeding by a Person not a Party to this Agreement in respect of which the indemnified Party will seek indemnification hereunder (a "Third Party Action"), the indemnified Party shall notify the Person that is obligated to provide such indemnification (an "indemnifying Party") thereof in writing, but any failure to so notify the indemnifying Party shall not relieve it from any liability that it may have to the indemnified Party under Section 7.1 or Section 7.2, except to the extent that the indemnifying Party is actually and materially prejudiced by the failure to give such notice. The indemnifying Party shall be entitled to participate in the defense of such Third Party Action and to assume control of such defense with counsel reasonably satisfactory to such indemnified Party; provided, however, that:

(i) the indemnified Party shall be entitled to participate in the defense of such Third Party Action and to employ counsel at its own expense to assist in the handling of such Third Party Action;

(ii) the indemnifying Party shall obtain the prior written approval of the indemnified Party, which approval shall not be unreasonably withheld or delayed, before entering into any settlement of such Third Party Action or ceasing to defend against such Third Party Action, if pursuant to or as a result of such settlement or cessation, injunctive or other equitable relief would be imposed against the indemnified Party or the indemnified Party would be adversely affected thereby;

(iii) no indemnifying Party shall consent to the entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by each claimant or plaintiff to each indemnified Party of a release from all liability in respect of such Third Party Action; and

(iv) the indemnifying Party shall not be entitled to control the defense of any Third Party Action unless within 15 days after receipt of such written notice from the indemnified Party the indemnifying Party confirms in writing its responsibility to indemnify the indemnified Party with respect to such Third Party Action and reasonably demonstrates that it will be able to pay the full amount of the reasonably expected Losses in connection with any such Third Party Action.

Except as set forth in the following sentence, after written notice by the indemnifying Party to the indemnified Party of its election to assume control of the defense of any such Third Party Action in accordance with the foregoing and compliance by the indemnifying Party with Section 7.3(a)(iv), (A) the indemnifying Party shall not be liable to such indemnified Party hereunder for any Legal Expenses subsequently incurred by such indemnified Party attributable to defending against such Third Party Action, and (B) as long as the indemnifying Party is reasonably contesting such Third Party Action in good faith, the indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge the claim underlying, such Third Party Action without the indemnifying Party's prior written consent. If the indemnifying Party does not assume control of the defense of such Third Party Action in accordance with this Section 7.3, the indemnified Party shall have the right to defend and/or settle such Third Party Action in such manner as it may deem appropriate at the cost and expense of the indemnifying Party, and the indemnifying Party will

promptly reimburse the indemnified Party therefor in accordance with this Article 7. The reimbursement of fees, costs and expenses required by this Article 7 shall be made by periodic payments during the course of the investigation or defense, as and when bills are received or expenses incurred.

(b) If the indemnifying Party shall be obligated to indemnify the indemnified Party pursuant to this Article 7, the indemnifying Party shall be subrogated to all rights of the indemnified Party with respect to the claims to which such indemnification relates. If an indemnified Party becomes entitled to any indemnification from an indemnifying Party, such indemnification shall be made in cash upon demand.

(c) The right of indemnification pursuant to this Article 7 shall constitute the sole and exclusive remedy of each of the Parties to this Agreement, other than with respect to fraud or willful breach by a Party. So long as a claim for indemnification pursuant to this Article 7 is being contested in good faith by the indemnifying Party or such claim shall otherwise remain unliquidated, such claim shall not affect any of the rights of the indemnifying Party under the Heritage MLP Partnership Agreement, including any right to current distributions by Heritage MLP.

7.4 SURVIVAL. Except as provided in this Section 7.4, and except for fraud and intentional misconduct, all representations, warranties, covenants and agreements contained in this Agreement shall terminate at Closing.

(a) The right to indemnification:

(i) with respect to any breach or violation of any of the representations and warranties contained in this Agreement (other than those in Sections SA-4.1, SA-4.2, SA-4.3, SA-4.4, SA-4.7, SA-4.10, SA-4.19 and SA-4.28), shall survive for one year after the date of the audit of Heritage MLP for the first full fiscal year following the Closing;

(ii) with respect to any breach or violation of any of the representations and warranties contained in Sections SA-4.1, SA-4.2, SA-4.3, SA-4.4, SA-4.7, SA-4.10, SA-4.19 and SA-4.28, shall survive without any time limit;

(iii) with respect to any breach or violation of any of the representations and warranties contained in Article 3, shall survive for the applicable statute of limitations; and

(iv) with respect to the covenants and agreements contained in this Agreement, shall survive for the applicable statute of limitations.

(b) The expiration of any survival period under this Agreement will not affect the liability of any Party under this Article 7 for any Loss as to which a bona fide claim has been asserted prior to the termination of such survival period.

7.5 NO SPECIAL OR CONSEQUENTIAL DAMAGES. No Party shall be entitled to recover special, consequential, exemplary or punitive damages from the other Parties, and each Party hereby waives any claim or right to special, consequential, exemplary or punitive damages hereunder, even if

caused by the active, passive, sole, joint, concurrent or comparative negligence, strict liability, or other fault of any Party, other than fraud or intentional misconduct.

ARTICLE 8
TERMINATION, AMENDMENT AND WAIVER

8.1 TERMINATION. This Agreement may be terminated and the transactions contemplated hereby abandoned in writing at any time prior to the Closing in any of the following manners:

(a) concurrently with any permitted termination of the Contribution Agreement or the Stock Purchase Agreement;

(b) by written consent of each of the Parties;

(c) by any Party if the Closing has not occurred on or before August 31, 2000, unless such failure to close resulted from a breach of this Agreement by the Party or its Affiliate seeking to terminate this Agreement pursuant to this Section 8.1(c);

(d) by any Party if (i) there is any statute, rule or regulation that makes consummation of the transactions contemplated hereby or the operation of the Business of the Heritage Entities illegal or otherwise prohibited or (ii) a Governmental Authority (A) has issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby, and such order, decree, ruling or other action shall have become final and nonappealable or (B) has made any order, decree, ruling or other action consenting to or approving consummation of the transactions contemplated hereby contingent or conditional in any manner that has a material adverse effect on the Business of the Heritage Entities;

(e) by any Party, if there has been any violation or breach by any other Party (other than an Affiliate or related party of the first party) of any representation, warranty, covenant or agreement contained or incorporated by reference in this Agreement that has rendered impossible the satisfaction of any condition to the obligations of such other Party set forth in Section 6.1 or Section 6.2 and such violation or breach has neither been cured within 30 days after notice by such first Party to the other Party nor waived by the first Party; or

(f) by any Party, if any other event shall occur that shall render the satisfaction of any such condition to the obligations of any other Party (other than an Affiliate or related party of the first party) impossible and such condition has not been waived by the other Parties.

8.2 EFFECT OF TERMINATION. In the event of the termination of this Agreement pursuant to Section 8.1 by any Party, written notice thereof shall forthwith be given to the other Parties specifying the provision hereof pursuant to which such termination is made. In the event of termination of this Agreement for any reason, the Contribution Agreement, the Stock Purchase Agreement and this Agreement shall become void and have no effect, except that the agreements contained in this Section 8.2 and in Article 9 shall survive the termination hereof. Nothing contained in this Section 8.2 shall relieve any Party from liability for any willful breach of this Agreement.

8.3 AMENDMENT. This Agreement may not be amended except by an instrument in writing signed by each of the Parties.

8.4 WAIVER. Any Party may, on behalf of itself only and not on behalf of any other Party, (a) waive any inaccuracies in the representations and warranties of any other Party (other than an Affiliate or related party of the first party) contained herein or in any document, certificate or writing delivered pursuant hereto, (b) waive compliance by any other Party (other than an Affiliate or related party of the first party) with any of its agreements contained herein and (c) waive fulfillment of any conditions to its obligations contained herein. Any agreement on the part of a Party to any such waiver shall be valid only if set forth in an instrument in writing signed by or on behalf of such Party. No failure or delay by a Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

ARTICLE 9
MISCELLANEOUS

9.1 NOTICES. All notices, requests, demands and other communications required or permitted to be given or made hereunder by any Party shall be in writing and shall be delivered either personally, or by registered or certified mail (postage prepaid and return receipt requested) or by express courier or delivery service, or by telegram, telefax, telex or similar facsimile means, to the Parties, at the addresses (or at such other addresses as shall be specified by the Parties by like notice) set forth below:

(a) If to Heritage MLP:

8801 South Yale Avenue, Suite 310,
Tulsa, Oklahoma 74137
Attention: President

(b) If to any Heritage GP Stockholders:

At the address of such Heritage GP Stockholder set forth in Annex I hereto beneath the name of such Heritage GP Stockholder.

Notices and other communications shall be deemed given or made (i) when received, if sent by telegram, telefax, telex or similar facsimile means (written confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by telefax, telex or similar facsimile means) and (ii) when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by registered or certified mail or sent by express courier or delivery service, except in the case of facsimile transmissions received after the normal close of business at the receiving location, which shall be deemed given on the next business day.

9.2 ENTIRE AGREEMENT. This Agreement and the documents referred to herein, together with the Schedules, Exhibits and Annexes hereto (where applicable, as executed and delivered), constitute the entire agreement between the Parties with respect to the subject matter hereof and

supersede all prior agreements and understandings, both written and oral, among the Parties with respect to the subject matter hereof.

9.3 BINDING EFFECT; ASSIGNMENT; NO THIRD PARTY BENEFIT. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned (whether by operation of law or otherwise) by any Party without the prior written consent of each of the Parties, and any purported assignment without such consent shall be void. Except as provided in Article 8, nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the Parties, and their respective successors and permitted assigns, any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement. The term "successors and assigns"as used in this Agreement shall include FHS Investments, L.L.C., a Nevada limited liability company, but shall not otherwise include a transferee, as such transferee, of Units from the Heritage GP Stockholders.

9.4 SEVERABILITY. If any provision of this Agreement is held to be unenforceable, this Agreement shall be considered divisible and such provision shall be deemed inoperative to the extent it is deemed unenforceable, and in all other respects this Agreement shall remain in full force and effect; provided, however, that if any such provision may be made enforceable by limitation thereof, then such provision shall be deemed to be so limited and shall be enforceable to the maximum extent permitted by Applicable Law.

9.5 GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas.

9.6 JURISDICTION. Subject to Section 9.10, any legal action, suit or proceeding in law or equity arising out of or relating to this Agreement or the transactions contemplated by this Agreement may only be instituted in any state or federal court located in the State of Texas, and each Party agrees not to assert, by way of motion, as a defense or otherwise, in any such action, suit or proceeding, any claim that is not subject personally to the jurisdiction of such court, that its property is exempt or immune from attachment or execution, that the action, suit or proceeding is brought in an inconvenient forum, that the venue of the action, suit or proceeding is improper or that this Agreement, or the subject matter hereof or thereof may not be enforced in or by such court. Each Party further irrevocably submits to the jurisdiction of any such court in any such action, suit or proceeding. Any and all service of process and any other notice in any such action, suit or proceeding shall be effective against any Party if given by registered or certified mail (return receipt requested) or by any other means which requires a signed receipt in accordance with, and at the address listed in, Section 9.1. Nothing herein contained shall be deemed to affect the right of any party to serve process in any manner permitted by law.

9.7 FURTHER ASSURANCES. From time to time following the Closing, at the request of any Party and without further consideration, the other Parties shall execute and deliver to such requesting Party such instruments and documents and take such other action as such requesting Party may reasonably request or as may be otherwise necessary to consummate more fully and effectively the transactions contemplated by this Agreement.

9.8 DESCRIPTIVE HEADINGS. The descriptive headings herein are inserted for convenience of reference only, do not constitute a part of this Agreement and shall not affect in any manner the meaning or interpretation of this Agreement.

9.9 COUNTERPARTS. This Agreement may be executed by the Parties in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

9.10 DISPUTE RESOLUTION. From and after the Closing, the Parties shall use the Dispute Resolution Procedures attached as Exhibit 9.10 to resolve in good faith any dispute, controversy or claim related to this Agreement, including any dispute involving the payment of indemnification pursuant to Article 7, except to the extent otherwise set forth herein. Nothing herein is intended to limit the Parties from resolving informally between them any dispute, controversy or claim that may arise, thus avoiding the necessity of using the Dispute Resolution Procedures.

[SIGNATURE PAGES FOLLOW.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the day and year first above written.

HERITAGE PROPANE PARTNERS, L.P.

BY: HERITAGE HOLDINGS, INC.
ITS GENERAL PARTNER

By: _____
Name:
Title: President and Chief Financial Officer

HERITAGE HOLDINGS, INC.,
FOR THE PURPOSES OF SECTION 5.4 ONLY

By: _____
Name: _____
Title: _____

HERITAGE GP STOCKHOLDERS:

By:

JAMES E. BERTELSMEYER

By:

DONNA C. BERTELSMEYER

By:

H. MICHAEL KRIMBILL

By:

R. C. MILLS

By:

G. A. DARR

THE BETH ELISE BERTELSMEYER SNAPP TRUST

By:

BETH ELISE BERTELSMEYER SNAPP,
as Co-Trustee

By:

AMY RENE BERTELSMEYER WESTBROCK,
as Co-Trustee

THE AMY RENE BERTELSMEYER TRUST

By:

AMY RENE BERTELSMEYER WESTBROCK,
as Co-Trustee

By:

BETH ELISE BERTELSMEYER SNAPP,
as Co-Trustee

THE JOHN D. CAPPS TRUST

By:

ESTELLE A. CAPPS, as Trustee

By:

J. CHARLES SAWYER

By:

BILL W. BYRNE

By:

ROBERT K. BLACKMAN

By:

BYRON JAY COOK

By:

BLAINE L. CRONN

By:

MARK A. DARR

By:

LARRY J. LINDSEY

By:

RAY S. PARSONS

By:

CHARLES B. PASS

By:

KERMIT V. JACOBSEN

By:

THOMAS H. ROSE

By:

C. H. TIMBERLAKE, III

By:

CURTIS L. WEISHAHN

By:

WILLIAM V. CODY

By:

JAMES C. HAMILTON, II

By:

JACK MCKEEHAN

ANNEX I

HERITAGE GP STOCKHOLDERS

PART 1: CASH PURCHASE PRICE

NAME OF AND ADDRESS OF HERITAGE GP STOCKHOLDERS	CASH PURCHASE PRICE FOR UNITS TO BE PURCHASED
PURCHASERS OF COMMON UNITS AND CLASS B SUBORDINATED UNITS:	
James E. Bertelsmeyer 968 Spinnaker's Reach Drive Ponte Vedra Beach, Florida 32082 and Donna C. Bertelsmeyer 968 Spinnaker's Reach Drive Ponte Vedra Beach, Florida 32082 as Tenants by the Entireties	$ 20,282,650
H. Michael Krimbill 5620 East 114th Street Tulsa, Oklahoma 74137-8100	$ 5,762,691
R. C. Mills 160 Plantation Circle South Ponte Vedra Beach, Florida 32082	$ 6,028,077
PURCHASERS OF COMMON UNITS:	
G. A. Darr 2830 Halle Parkway Collierville, Tennessee 38017	$ 3,176,073
J. Charles Sawyer 7916 Quailwood Drive Jacksonville, Florida 32256	$ 1,265,896
The Beth Elise Bertelsmeyer Snapp Trust 2408 East 30th Street Tulsa, Oklahoma 74114	$ 3,005,571
The Amy Rene Bertelsmeyer Trust 2350 South Delaware Avenue Tulsa, Oklahoma 74114	$ 3,005,571

NAME OF AND ADDRESS OF HERITAGE GP STOCKHOLDERS	CASH PURCHASE PRICE FOR UNITS TO BE PURCHASED
The John D. Capps Trust #8 Brewster Lane La Grange Park, Illinois 60526	$ 1,527,756
Bill W. Byrne 6172 South Marion Avenue Tulsa, Oklahoma 74136	$ 1,265,896
Robert K. Blackman 104 Lupine Loop Ruidoso, New Mexico 88345	$ 361,683
Byron Jay Cook 1157 East Valley Street Challis, Idaho 83226	$ 361,683
Blaine L. Cronn 373 Guy Street Cedar Springs, Michigan 49319	$ 361,683
Mark A. Darr 124 Old Mill Court Ponte Vedra Beach, Florida 32085	$ 361,683
Larry J. Lindsey 2268 Oakland Avenue Pleasanton, California 94566	$ 361,683
Ray S. Parsons 579 Brewer Road Crossville, Tennessee 38555	$ 361,683
Charles B. Pass 120 Meadow Drive Helena, Montana 59601	$ 361,683
Kermit V. Jacobsen 869 Olympus Drive Sheridan, Wyoming 82801	$ 361,683
Thomas H. Rose 1305 118th Street Court N.W. Gig Harbor, Washington 98332	$ 361,683

Annex I-2

Subscription Agreement
Execution Copy dated June 15, 2000

NAME OF AND ADDRESS OF HERITAGE GP STOCKHOLDERS	CASH PURCHASE PRICE FOR UNITS TO BE PURCHASED
C. H. Timberlake, III 485 Roi Coppley Road Lexington, North Carolina 27292	$ 361,683
Curtis L. Weishahn 70 Autumn Lane Reno, Nevada 89511	$ 361,683
William V. Cody 4095 Louis Court Auburn, California 95602	$ 361,683
James C. Hamilton, II 11671 Central Pike Mount Juliet, Tennessee 37122	$ 361,683
Jack McKeehan 1125 Greenwich Street Reno, Nevada 89511	$ 180,842
Total.....	$ 50,202,902

PART 2: CALCULATION OF NUMBER OF UNITS

The number of Units to be purchased by each Heritage GP Stockholder equals the quotient (rounded to the nearest whole number) of the Cash Purchase Price set forth for such Heritage GP Stockholder in Part 1 of this Annex I, divided by the Average Price.

"Average Price" means the average of the closing sales prices of the Common Units as reported in The Wall Street Journal - Composite Transactions for the 20 consecutive trading days commencing on the tenth trading day prior to the later to occur of (i) the day that the transaction contemplated by this Agreement is publicly announced and (ii) the day prior to closing that any public announcement is made by Heritage MLP concerning an increase or potential increase in Heritage MLP's quarterly distribution to unitholders; provided, that if such 20-trading-day period would otherwise end after the third trading day prior to the Closing Date, the Closing Date shall be changed to be no earlier than the third trading day after the end of such 20-day trading period.

PART 3: COMMON UNITS AND CLASS B SUBORDINATED INTERESTS

Each Heritage GP Stockholder listed in Part 1 as a purchaser of both Common Units and Class B Subordinated Units will receive a number of Units calculated in accordance with Part 2, as follows: First, 81,000 Common Units and second, a number of Class B Subordinated Units equal to (a) the number of Units such Heritage GP Stockholder is entitled to receive in accordance with Part 2, minus (b) 81,000 Units.

Annex I-4

Subscription Agreement
Execution Copy dated June 15, 2000

ANNEX II

FORM OF TRANSFER RESTRICTIONS

A. THE UNITS REPRESENTED BY THE CERTIFICATE FOR THE HOLDER(S) IDENTIFIED BELOW ARE SUBJECT TO RESTRICTIONS ON TRANSFER UNDER APPLICABLE SECURITIES LAWS AND THE RESTRICTION ON TRANSFER SET FORTH IN PARAGRAPH B BELOW, AND NONE OF SUCH UNITS NOR ANY INTEREST HEREIN MAY BE TRANSFERRED EXCEPT THAT SUCH UNITS MAY BE TRANSFERRED AS FOLLOWS:

HOLDER	TRANSFER RESTRICTION
James E. Bertelsmeyer and Donna C. Bertelsmeyer, as Tenants by the Entireties	(1) As to Units [ONE-HALF OF JAMES E. BERTELSMEYER AND DONNA C. BERTELSMEYER TOTAL PURCHASED] represented by one or more certificates, any or all of such Units may be transferred at any time after _____, 2000 [90 days after closing], subject to the restriction on transfer set forth in paragraph B below. (2) As to the remaining Units represented by this certificate, the following shall apply: except to the extent set forth in the Employment Agreement, dated as of , 2000 between the General Partner and James E. Bertelsmeyer, none of such Units or any interest therein may be transferred, sold, mortgaged, pledged or otherwise disposed of except as follows: o _____ of such remaining Units [ONE-THIRD OF REMAINING UNITS] may be sold, transferred, conveyed or otherwise disposed of, in whole or in part, at any time on or after , 2001 [1ST ANNIVERSARY OF CLOSING], subject to the restriction or transfer set forth in paragraph B below; o an additional _____ of such remaining Units [NEXT ONE-THIRD] may be sold, transferred, conveyed or otherwise disposed of, in whole or in part, at any time on or after _____, 2002 [2ND ANNIVERSARY AFTER CLOSING], subject to the restriction on transfer set forth in paragraph B below; and o all of such remaining Units may be sold, transfeRRED, conveyed or otherwise disposed of in whole or in part, at any time on or after _____, 2003 [3RD ANNIVERSARY AFTER CLOSING], subject to the restriction on transfer set forth in paragraph B below.
H. Michael Krimbill	As to the Units represented by this certificate, the following shall apply: except to the extent set forth in the Employment Agreement, dated as of , 2000 between the General Partner and H. Michael Krimbill, none of such Units or any interest therein may be transferred, sold, mortgaged, pledged or otherwise disposed of except as follows: o _____ of such remaining Units [ONE-QUARTER OF UNITS] may be sold, transferred, conveyed or otherwise disposed of, in whole or in part, at any time on or after , 2001, subject to the restriction or transfer set forth in paragraph B below; o an additional _____ of such remaining Units [NEXT ONE-QUARTER] may be sold, transferred, conveyed or

HOLDER	TRANSFER RESTRICTION
	whole or in part, at any time on or after _____, 2002, subject to the restriction on transfer set forth in paragraph B below; and o all of such remaining Units may be sold, transfeRRED, conveyed or otherwise disposed of in whole or in part, at any time on or after _____, 2003, subject to the restriction on transfer set forth in paragraph B below.
R.C. Mills	As to the Units represented by this certificate, the following shall apply: except to the extent set forth in the Employment Agreement, dated as of _____, 2000, between Heritage GP and R.C. Mills, none of such Units or any interest therein may be transferred, sold, mortgaged, pledged or otherwise disposed of except as follows: o _____ of such remaining Units [ONE-QUARTER OF UNITS] may be sold, transferred, conveyed or otherwise disposed of, in whole or in part, at any time on or after , 2001, subject to the restriction or transfer set forth in paragraph B below; o an additional _____ of such remaining Units [NEXT ONE-QUARTER] may be sold, transferred, conveyed or otherwise disposed of, in whole or in part, at any time on or after _____, 2002, subject to the restriction on transfer set forth in paragraph B below; and o all of such remaining Units may be sold, transfeRRED, conveyed or otherwise disposed of in whole or in part, at any time on or after _____, 2003, subject to the restriction on transfer set forth in paragraph B below.
G.A. Darr	As to the Common Units represented by this certificate, the following shall apply: except to the extent set forth in the Consulting Agreement, dated as of , 2000 between Heritage GP and G.A. Darr, none of such Units or any interest therein may be transferred, sold, mortgaged, pledged or otherwise disposed of except as follows: o _____ of such remaining Units [ONE-THIRD OF UNITS] may be sold, transferred, conveyed or otherwise disposed of, in whole or in part, at any time on or after _____, 2001, subject to the restriction or transfer set forth in paragraph B below; o an additional _____ of such remaining Units [NEXT ONE-THIRD] may be sold, transferred, conveyed or otherwise disposed of, in whole or in part, at any time on or after _____, 2002, subject to the restriction on transfer set forth in paragraph B below; and o all of such remaining Units may be sold, transfeRRED, conveyed or otherwise disposed of in whole or in part, at any time on or after _____, 2003, subject to the restriction on

transfer set forth in
paragraph B below.

Bill W. Byrne John D. Capps Trust Robert K. Blackman	As to the Common Units represented by these certificates, any or all of such Units may be transferred at any time after _____, 2000 [90 days after closing],

HOLDER	TRANSFER RESTRICTION
Larry J. Lindsey Ray S. Parsons Kermit V. Jacobsen J. Charles Sawyer The Beth Elise Bertelsmeyer Snapp Trust The Amy Rene Bertelsmeyer Trust	subject to the restriction on transfer set forth in paragraph B below.
Byron Jay Cook Blaine L. Cronn Mark A. Darr Charles B. Pass Thomas H. Rose C.H. Timberlake, III Curtis L. Weishahn William V. Cody James C. Hamilton, II Jack McKeehan	As to the Common Units represented by this certificate, the following shall apply: none of such Units or any interest therein may be transferred, sold, mortgaged, pledged or otherwise disposed of except as follows: o _____ of such remaining Units [ONE-THIRD OF UNITS] may be sold, transferred, conveyed or otherwise disposed of, in whole or in part, at any time on or after _____, 2001, subject to the restriction or transfer set forth in paragraph B below; o an additional _____ of such remaining Units [NEXT ONE-THIRD] may be sold, transferred, conveyed or otherwise disposed of, in whole or in part, at any time on or after _____, 2002, subject to the restriction on transfer set forth in paragraph B below; and o all of such remaining Units may be sold, transferred, conveyed or otherwise disposed of in whole or in part, at any time on or after _____, 2003, subject to the restriction on transfer set forth in paragraph B below.

B. Each certificate for Units shall be imprinted with a legend in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. SAID SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION FROM THE REGISTRATION PROVISIONS OF SAID ACT OR LAWS. *THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A SUBSCRIPTION AGREEMENT, DATED AS OF _____, 2000, AMONG HERITAGE MLP AND THE PERSONS IDENTIFIED ON ANNEX I THERETO, AND THE EMPLOYMENT AGREEMENT OR CONSULTING AGREEMENT DATED AS OF _____, 2000, BETWEEN HERITAGE HOLDINGS, INC. AND [INSERT EMPLOYEE'S NAME], COPIES OF EACH OF WHICH ARE ON FILE AT THE MAIN OFFICE OF THE PARTNERSHIP. ANY SALE OR TRANSFER OF THE SECURITIES EVIDENCED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS OF THOSE AGREEMENTS AND ANY SALE, TRANSFER, CONVEYANCE OR OTHER DISPOSITION OF SUCH SECURITIES IN VIOLATION OF SAID AGREEMENTS SHALL BE VOID AND OF NO FORCE OR EFFECT.

_____* INCLUDE THE THIRD AND FOURTH SENTENCES OF THIS LEGEND AS APPROPRIATE

ANNEX III

CERTIFICATE EVIDENCING UNITS
REPRESENTING LIMITED PARTNER INTERESTS
HERITAGE PROPANE PARTNERS, L.P.

No. _____ Class B Units

In accordance with Section 4.1 of the Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P., as amended, supplemented or restated from time to time (the "Partnership Agreement"), Heritage Propane Partners, L.P., a Delaware limited partnership (the "Partnership"), hereby certifies that (the "Holder") is the registered owner of _____ Class B Subordinated Units representing Class B subordinated limited partner interests in the Partnership (the "Units"), subject to the restrictions set forth on the reverse side of this certificate, transferable on the books of the Partnership, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed and accompanied by a properly executed application for transfer of the Units represented by this Certificate. The rights, preferences and limitations of the Units are set forth in, and this Certificate and the Units represented hereby are issued and shall in all respects be subject to, the terms and provisions of, the Partnership Agreement. Copies of the Partnership Agreement are on file at, and will be furnished without charge on delivery of written request to the Partnership at, the principal office of the Partnership located at 8801 South Yale Avenue, Suite 310, Tulsa, Oklahoma 74137. Capitalized terms used herein but not defined shall have the meaning given them in the Partnership Agreement.

The Holder, by accepting this Certificate, is deemed to have (i) requested admission as, and agreed to become, a Limited Partner and to have agreed to comply with and be bound by and to have executed the Partnership Agreement, (ii) represented and warranted that the Holder has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (iii) granted the powers of attorney provided for in the Partnership Agreement and (iv) made the waivers and given the consents and approvals contained in the Partnership Agreement.

The Certificate shall not be valid for any purpose unless it has been countersigned and registered by the Transfer Agent and Registrar.

Dated: _____

HERITAGE PROPANE PARTNERS, L.P.

By: Heritage Holdings, Inc., its General Partner

Countersigned and Registered:

By: Heritage Holdings, Inc.,
as Transfer Agent and Registrar

By: _____
Chairman and Chief Executive Officer

By: _____
Authorized Signature

By: _____
Secretary

THE OFFERING AND SALE OF THE UNITS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE. THE UNITS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. IN ADDITION, THE UNITS ARE SUBJECT TO THE TRANSFER RESTRICTIONS APPLICABLE TO THE HOLDER SET FORTH ON THE REVERSE SIDE OF THIS CERTIFICATE.

[REVERSE OF CERTIFICATE]

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. SAID SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION FROM THE REGISTRATION PROVISIONS OF SAID ACT OR LAWS. *THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A SUBSCRIPTION AGREEMENT, DATED AS OF _____, 2000, AMONG THE PARTNERSHIP AND THE PERSONS IDENTIFIED ON ANNEX I THERETO, AND THE EMPLOYMENT AGREEMENT DATED AS OF _____, 2000, BETWEEN HERITAGE HOLDINGS, INC. AND [INSERT EMPLOYEE'S NAME], COPIES OF EACH OF WHICH ARE ON FILE AT THE MAIN OFFICE OF THE PARTNERSHIP. ANY SALE OR TRANSFER OF THE SECURITIES EVIDENCED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS OF THOSE AGREEMENTS AND ANY SALE, TRANSFER, CONVEYANCE OR OTHER DISPOSITION OF SUCH SECURITIES IN VIOLATION OF SAID AGREEMENTS SHALL BE VOID AND OF NO FORCE OR EFFECT.

- - - - ----------
* INCLUDE THE THIRD AND FOURTH SENTENCES OF THIS LEGEND AS APPROPRIATE.

APPLICATION FOR TRANSFER OF UNITS

The undersigned ("Heritage GP Stockholder") hereby applies for issuance to the name of the Heritage GP Stockholder of Units evidenced hereby.

The Heritage GP Stockholder (a) requests admission as a Substituted Limited Partner in respect of Units and agrees to comply with and be bound by, and hereby executes, the Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P. (the "Partnership"), as amended, supplemented or restated to the date hereof (the "Partnership Agreement"), (b) represents and warrants that the Heritage GP Stockholder has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appoints General Partner of the Partnership and, if a Liquidator shall be appointed, the Liquidator of the Partnership as the Heritage GP Stockholder's attorney-in-fact to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement and any amendment thereto and the Certificate of limited Partnership of the Partnership and any amendment thereto, necessary or appropriate for the Heritage GP Stockholder's admission as a Substituted Limited Partner and as a party to the Partnership Agreement, (d) gives the power of attorney provided for in the Partnership Agreement and (e) makes the waivers and gives the consents and approvals contained in the Partnership Agreement. Capitalized terms not defined herein have the meanings assigned to such terms in the Partnership Agreement.

Date:

- - - - ----------
Signature of Heritage GP Stockholder

- - - - ----------
Social Security or other identifying number of Heritage GP Stockholder

- - - - ----------
Name and Address of Heritage GP Stockholder

- - - - ----------
Purchase Price including commission, if any

Type of Entity (check one):

[ ] Individual [ ] Partnership [ ] Corporation
[ ] Trust [ ] Other (specify)

Nationality (check one):

[ ] U.S. Citizen, Resident or Domestic Entity
[ ] Foreign Corporation [ ] Non-resident Alien

If the U.S. Citizen, Resident or Domestic Entity box is checked, the following certification must be completed.

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the "Code"), the Partnership must withhold tax with respect to certain transfers of property if a holder of an interest in the Partnership is a foreign person. To inform the Partnership that no withholding is required with respect to the undersigned interestholder's interest in it, the undersigned hereby certifies the following (or, if applicable, certifies the following on behalf of the interestholder).

Complete Either A or B:

A. Individual Interestholder

1. I am not a non-resident alien for purposes of U.S. income taxation.

2. My U.S. taxpayer identification number (Social Security Number) is.

3. My home address is

4. My taxable year ends on December 31st.

B. Partnership, Corporation or Other Interestholder

1. _____ is not a foreign
(Name of Interestholder)
corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and Treasury Regulations).

2. The interestholder's U.S. employer identification number is _____.

3. The interestholder's office address and place of incorporation (if applicable) is _____.

4. The interestholder's taxable year ends on December 31st.

The interestholder agrees to notify the Partnership within sixty (60) days of the date the interestholder becomes a foreign person.

The interestholder understands that this certificate may be disclosed to the Internal Revenue Service by the Partnership and that any false statement contained herein could be punishable by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete and, if applicable, I further declare that I have authority to sign this document on behalf of

---

Name of Interestholder

Signature and Date

Title (if applicable)

Note: If the Heritage GP Stockholder is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or, in the case of any other nominee holder, a person performing a similar function. If the Heritage GP Stockholder is a broker, dealer, bank, trust company, clearing corporation, other nominee owner or an agent of any of the foregoing, the above certification as to any person for whom the Heritage GP Stockholder will hold the Units shall be made to the best of the Heritage GP Stockholder's knowledge.

Annex III-4

Subscription Agreement
Execution Copy dated June 15, 2000

ANNEX IV

APPLICATION FOR ISSUANCE OF UNITS

The undersigned ("Heritage GP Stockholder") hereby applies for issuance of Units to the name of the Heritage GP Stockholder.

The Heritage GP Stockholder (a) requests admission as a Substituted Limited Partner in respect of Units and agrees to comply with and be bound by, and hereby executes, the Amended and Restated Agreement of Limited Partnership of Heritage Propane Partners, L.P. (the "Partnership"), as amended, supplemented or restated to the date hereof (the "Partnership Agreement"), (b) represents and warrants that the Heritage GP Stockholder has all right, power and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (c) appoints the General Partner of the Partnership and, if a Liquidator shall be appointed, the Liquidator of the Partnership as the Heritage GP Stockholder's attorney-in-fact to execute, swear to, acknowledge and file any document, including, without limitation, the Partnership Agreement and any amendment thereto and the certificate of limited partnership of the Partnership and any amendment thereto, necessary or appropriate for the Heritage GP Stockholder's admission as a Substituted Limited Partner and as a party to the Partnership Agreement, (d) gives the power of attorney provided for in the Partnership Agreement and (e) makes the waivers and gives the consents and approvals contained in the Partnership Agreement. Capitalized terms not defined herein have the meanings assigned to such terms in the Partnership Agreement.

Date:

- - - - ---
Signature of Heritage GP Stockholder

- - - - ---
Social Security or other identifying number of Heritage GP Stockholder

- - - - ---
Name and Address of Heritage GP Stockholder

- - - - ---
Purchase Price including commission, if any

Type of Entity (check one):

[ ] Individual [ ] Partnership [ ] Corporation
[ ] Trust [ ] Other (specify)

Nationality (check one):

[ ] U.S. Citizen, Resident or Domestic Entity
[ ] Foreign Corporation [ ] Non-resident Alien

If the U.S. Citizen, Resident or Domestic Entity box is checked, the following certification must be completed.

Under Section 1445(e) of the Internal Revenue Code of 1986, as amended (the "Code"), the Partnership must withhold tax with respect to certain transfers of property if a holder of an interest in the Partnership is a foreign person. To inform the Partnership that no withholding is required with respect to the undersigned interestholder's interest in it, the undersigned hereby certifies the following (or, if applicable, certifies the following on behalf of the interestholder):

Complete Either A or B:

A. Individual Interestholder

1. I am not a non-resident alien for purposes of U.S. income taxation.

2. My U.S. taxpayer identification number (Social Security Number) is _____.

3. My home address is _____.

4. My taxable year ends on December 31st.

B. Partnership, Corporation or Other Interestholder

1. _____ is not a foreign
(Name of Interestholder)
corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and Treasury Regulations).

2. The interestholder's U.S. employer identification number is _____.

3. The interestholder's office address and place of incorporation (if applicable) is _____.

4. The interestholder's taxable year ends on December 31st.

The interestholder agrees to notify the Partnership within sixty (60) days of the date the interestholder becomes a foreign person.

The interestholder understands that this certificate may be disclosed to the Internal Revenue Service by the Partnership and that any false statement contained herein could be punishable by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct and complete and, if applicable, I further declare that I have authority to sign this document on behalf of

---
Name of Interestholder

Signature and Date

Title (if applicable)

Note: If the Heritage GP Stockholder is a broker, dealer, bank, trust company, clearing corporation, other nominee holder or an agent of any of the foregoing, and is holding for the account of any other person, this application should be completed by an officer thereof or, in the case of a broker or dealer, by a registered representative who is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or, in the case of any other nominee holder, a person performing a similar function. If the Heritage GP Stockholder is a broker, dealer, bank, trust company, clearing corporation, other nominee owner or an agent of any of the foregoing, the above certification as to any person for whom the Heritage GP Stockholder will hold the Units shall be made to the best of the Heritage GP Stockholder's knowledge.

Annex IV-3

Subscription Agreement
Execution Copy dated June 15, 2000

ANNEX V

INVESTMENT SUITABILITY FORM FOR HERITAGE GP STOCKHOLDER

The Heritage GP Stockholder hereby represents and warrants to Heritage Propane Partners, L.P. (the "Partnership") that the following statements, as completed by such Heritage GP Stockholder, are true and correct and that the Partnership may rely on such information in deciding whether such Heritage GP Stockholder is a suitable investor to purchase the Units.

Check whichever statements are applicable:

1. The undersigned is a natural person, a trust, a corporation, a partnership, other (please specify).

2. The undersigned has has not consulted with or been advised by anyone serving in the capacity of a purchaser representative in evaluating the risks and merits of an investment in Heritage.

If the undersigned has consulted with a purchaser representative, certain additional documentation must be completed by the undersigned and such advisor and submitted to Heritage MLP. Such documentation is available from Heritage MLP upon request.

If the undersigned is a natural person, please complete Items 4 through 9. If the undersigned is other than a natural person, please complete Item 10.

3. I have a net worth (with my spouse and including home*, furnishings and automobiles) of: (CHECK WHICHEVER STATEMENT IS APPLICABLE)

less than or equal to $1,000,000; or

more than $1,000,000.

4. (a) I had an individual income** in each of the last two years of: (CHECK WHICHEVER STATEMENT IS APPLICABLE)

less than or equal to $200,000; or

more than $200,000.

(b) I reasonably expect to have an individual income** in the current year of: (CHECK WHICHEVER STATEMENT IS APPLICABLE)

less than or equal to $200,000; or

more than $200,000.

5. (a) My spouse and I had a joint income** in each of the last two years of: (CHECK WHICHEVER STATEMENT IS APPLICABLE)

less than or equal to $300,000; or

more than $300,000.

(b) My spouse and I reasonably expect to have a joint income** in the current year of: (CHECK WHICHEVER STATEMENT IS APPLICABLE)

less than or equal to $300,000; or

more than $300,000.

6. My educational background is as follows:

College:		Degree:		Year:	
Graduate School:		Degree:		Year:	

7. I am _____ years of age.

8. I have personally invested in excess of $ _____ in venture capital or similar investments in the past five years.

9. I am am not an executive officer or director of Heritage GP or Heritage.

10. (FOR PROSPECTIVE INVESTORS THAT ARE NOT NATURAL PERSONS) Check all appropriate boxes:

The undersigned is a corporation and has not been formed for the specific purpose of acquiring Units and has total assets exceeding $5,000,000.

The undersigned is a trust, has total assets exceeding $5,000,000 and was not formed for the specific purpose of acquiring Units. The decision to invest in Heritage Propane Partners, L.P., by the trust was made by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment. Identify the name and principal occupation of each such person directing the investment decision.

The undersigned is an organization described in Section 501(c)(3) of the Internal Revenue Code, as amended, has not been formed for the specific purpose of acquiring Units and has total assets exceeding $5,000,000.

The undersigned is an entity in which all of the equity owners are (a) individuals who have individual or joint income in excess of $200,000 or $300,000, respectively, in each of the past two years and reasonably expect a similar level of income in the current year; (b) individuals whose net worth exceeds $1,000,000; or (c) entities that are "accredited investors" (as such term is defined in Rule 501 of Regulation D under the Securities Act). Identify each equity owner of the undersigned.

- - - - ---

* The value of an investor's home is calculated as follows: (a) the value at cost including the cost of any improvements, less (b) any current encumbrances upon the property.

** Income is calculated for any year as follows: (a) adjusted gross income (as reported on the prospective investor's federal income tax return), plus (b) any deductions for long-term capital gain under the Internal Revenue Code of 1986 (the "Code"), plus (c) any deductions for depletion under the Code, plus (d) any exclusion for interest under the Code, plus (e) any losses of a limited partnership allocated to the prospective investor (as a limited partner).

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Annex V-3

Subscription Agreement
Execution Copy dated June 15, 2000

EXHIBIT 6.1(d)

REGISTRATION RIGHTS AGREEMENT

Attached.

Exhibit 6.1(d)-1

Subscription Agreement
Execution Copy dated June 15, 2000

EXHIBIT 6.1(e)

AMENDMENT NO. 1

Attached.

Exhibit 6.1(e)-1

Subscription Agreement
Execution Copy dated June 15, 2000

EXHIBIT 9.10

DISPUTE RESOLUTION PROCEDURES

DISPUTE RESOLUTION PROCEDURES

1. GENERAL PROCEDURE. The Parties shall use the procedures set forth in this Exhibit 9.10 to resolve in good faith any dispute, controversy or claim (i) arising between Heritage MLP, on the one hand, and one or more of the Heritage GP Stockholders, on the other hand (collectively, the "Disputing GP Stockholders") and (ii) related to this Agreement, including any dispute over the performance, breach, termination or interpretation of this Agreement; provided, however, that a Party may seek equitable relief prior to using the procedures set forth in this Exhibit 9.10 if, in the reasonable judgment of such Party, such Party will suffer irreparable harm if such equitable relief is not granted. Nothing herein is intended (i) to address disputes, controversies or claims arising among the Heritage GP Stockholders that do not involve Heritage MLP or (ii) to limit the Parties from resolving informally among them any dispute, controversy or claim that may arise.

2. MEDIATION. If any dispute, controversy or claim arises between Heritage MLP and the Disputing GP Stockholders after the Closing Date and Heritage MLP and the Disputing GP Stockholders cannot resolve such dispute, controversy or claim informally, then Heritage MLP and the Disputing GP Stockholders shall attempt in good faith to settle the matter by submitting the dispute, controversy or claim to mediation within 30 days after the date that the dispute, controversy or claim arises, using any mediator upon which they mutually agree. If Heritage MLP and the Disputing GP Stockholders are unable to agree mutually upon a mediator within 15 days after submitting to mediation, the case shall be referred to the _____ office of the American Arbitration Association ("AAA") for mediation. The cost of the mediator will be paid by Heritage MLP, on the one hand, and the Disputing GP Stockholders, on the other hand, equally.

3. ARBITRATION.

3.1 ALL DISPUTES ARBITRATION. All disputes between Heritage MLP and the Disputing GP Stockholders arising under this Agreement and not resolved through negotiation or mediation shall be submitted to arbitration in accordance with this Section 3.1 or, if one exists, the similar arbitration provision of the Stock Purchase Agreement or the Contribution Agreement, and the Parties hereby expressly waive all rights to have any such disputes heard before a court of law, except the right to enforce an arbitration award as described in Section 3.5 below. Arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. Section 1, et seq., aND Not by the arbitration acts, statutes or rules of any other jurisdiction. In the event of a conflict between the terms of this Section 3.1 and the terms of an express arbitration provision in the Stock Purchase Agreement or the Contribution Agreement, the arbitration provision in such other agreement shall control as to any disputes arising under that agreement.

3.2 PROCEDURE. In the event that Heritage MLP and the Disputing GP Stockholders are unable to resolve a dispute arising under this Agreement or the Stock Purchase Agreement or the Contribution Agreement after exercising good faith efforts to do so pursuant to the procedures of Section 2 hereof, Heritage MLP or the Heritage GP Stockholders, as the case may be, may require

that the matter be resolved through binding arbitration by submitting a written notice to the other Parties (including notice to any Heritage GP Stockholders that are not Disputing GP Stockholders). The Party giving notice shall select one of the three arbitrators and shall prepare a written notice containing the name of such Party's arbitrator and a statement of the issue(s) presented for arbitration. Within 15 days after receipt of a notice of arbitration, Heritage MLP (if the Party giving notice was a Heritage GP Stockholder) or the Disputing GP Stockholders (if the Party giving notice was Heritage MLP) shall select the second of three arbitrators by written notice and may designate any additional issue(s) for arbitration. The two named arbitrators shall select the third arbitrator within 15 days after the date on which the second arbitrator was named. Should the two arbitrators fail to agree on the selection of the third arbitrator, any Party shall be entitled to request the Senior Judge of the United States District Court of the _____ District of _____ to select the third arbitrator. If the Senior Judge refuses or is unable to select the third arbitrator, the Parties shall ask the AAA to appoint the third arbitrator, it being understood, however, that the AAA shall not act as administrator of the arbitration. All arbitrators shall be qualified by education or experience within the propane or energy industry (to the extent relevant) to decide the issues presented for arbitration. No arbitrator shall be a current or former director, officer or employee of any Party, or any of its Affiliates; an attorney (or member of a law firm) who has rendered legal services to any Party, or its Affiliates, within the preceding three years; or an accountant (or member of an accounting firm) who has rendered accounting or consulting services to any Party or its Affiliates, within the preceding three years; or an owner of any debt or equity securities (including but not limited to common or preferred stock or any derivatives thereof) of any Party or its Affiliates.

3.3 ARBITRATION HEARINGS. The three arbitrators shall commence the arbitration hearing within 25 days following the appointment of the third arbitrator, or at such later date as Heritage MLP and a majority of the Disputing GP Stockholders may agree. The proceeding shall be held at a mutually acceptable site in _____. If Heritage MLP and a majority of the Disputing GP Stockholders are unable to agree on a site, the arbitrators shall select a site. The arbitrators shall have the authority to establish rules and procedures governing the arbitration hearing. Heritage MLP and the Disputing GP Stockholders shall have the opportunity to present evidence at the hearing. The arbitrators may call for the submission of pre-hearing statements of position and legal authority. The arbitration panel shall not have the authority to award punitive or exemplary damages, nor shall the arbitration panel have any authority to terminate this Agreement unless that issue is made subject to arbitration under the express terms of this Agreement. The arbitrators' decision must be rendered within 30 days following the conclusion of the hearing or submission of evidence, but no later than 90 days after appointment of the third arbitrator.

3.4 ARBITRATION DECISION. The decision of the arbitrators, or a majority of them, shall be in writing and shall be final and binding upon the Parties as to the issue submitted. Heritage MLP and each of the Disputing GP Stockholders shall bear the expense and cost of its attorneys and witnesses. The expense and cost of the arbitrators shall be paid by Heritage MLP, on the one hand, and the Disputing GP Stockholders, on the other hand, equally, or as the arbitrators may otherwise determine is just and equitable.

3.5 ENFORCEMENT OF AWARD. Judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction. The prevailing Party or Parties shall be entitled to

reasonable attorneys' fees in any court proceeding necessary to enforce or collect any award or judgment rendered by the arbitrators.

Exhibit 9.10-3

Subscription Agreement
Execution Copy dated June 15, 2000

EXHIBIT 10.18.1

SUBSCRIPTION AGREEMENT

AMENDMENT NO. 1

This Amendment No. 1 ("Amendment") of the Subscription Agreement (the "Agreement"), dated as of August 10, 2000, is entered into by and among the following:

1. Heritage Propane Partners, L.P., a Delaware limited partnership ("Heritage MLP"); and

2. James E. Bertelsmeyer and Donna C. Bertelsmeyer, as Tenants by the Entireties; H. Michael Krimbill; R. C. Mills; G. A. Darr; The Beth Elise Bertelsmeyer Snapp Trust; The Amy Rene Bertelsmeyer Trust; The John D. Capps Trust; J. Charles Sawyer; Bill W. Byrne; Robert K. Blackman; Byron Jay Cook; Blaine L. Cronn; Mark A. Darr; Larry J. Lindsey; Ray S. Parsons; Charles B. Pass; Kermit V. Jacobsen; Thomas H. Rose; C. H. Timberlake, III; Curtis L. Weishahn; William V. Cody; James C. Hamilton, II; and Jack McKeehan (collectively, the "Heritage GP Stockholders").

RECITALS

WHEREAS, the Parties desire to restate Annex I to the Agreement to accurately reflect the number of Common Units ("Common Units") and Class B subordinated limited partner interests ("Class B Subordinated Units") of Heritage Propane Partners, L.P., a Delaware limited partnership ("Heritage MLP") to be purchased by the Heritage GP Stockholders; and

WHEREAS, the Parties desire to restate Section 5.4 of the Agreement to accurately reflect the agreement of Heritage Holdings, Inc., a Delaware corporation ("Heritage GP"), and the Heritage GP Stockholders with respect to the vote of their Common Units.

AMENDMENT

NOW, THEREFORE, Annex I is hereby deleted in its entirety and replaced with that certain Annex I attached as Exhibit A hereto and incorporated herein for all purposes, and Section 5.4 of the Agreement is hereby deleted in its entirety and restated to read as follows:

5.4 VOTE OF COMMON UNITS. Heritage GP and its successors and assigns and the Heritage GP Stockholders hereby covenant and agree to vote all of their respective Common Units (other than those issued pursuant to Section 2.1 of the Agreement (the "New Units")) at each meeting or other vote of the holders (the "Unitholders") of the Common Units of Heritage MLP, with respect thereto, for approval of the conversion of Class B Subordinated Units to Common Units (the "Conversion"), for the admission of U.S. Propane, L.P., a Delaware limited partnership, or its designee as general partner of Heritage MLP (the "Admission"), and for any amendment of the Amended and Restated Agreement of Limited Partnership of Heritage MLP (the "Partnership Agreement") related thereto. Each of the Heritage GP Stockholders agrees to grant James E. Bertelsmeyer and H. Michael Krimbill their proxy, at each meeting or other vote of the Unitholders relating to the Conversion, the Admission and any amendment of the Partnership Agreement related

thereto, to vote their New Units in the manner required by rule or interpretation of the New York Stock Exchange, Inc. (the "NYSE") for listing of the New Units on the NYSE.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first written above.

HERITAGE PROPANE PARTNERS, L.P.

BY: HERITAGE HOLDINGS, INC.
ITS GENERAL PARTNER

By:

Name: H. Michael Krimbill
Title: President and Chief Executive Officer

HERITAGE HOLDINGS, INC.,
FOR THE PURPOSES OF SECTION 5.4 ONLY

By:

Name: H. Michael Krimbill
Title: President and Chief Executive Officer

HERITAGE GP STOCKHOLDERS:

By:

JAMES E. BERTELSMEYER AND

By:

DONNA C. BERTELSMEYER,
AS TENANT BY THE ENTIRETIES

By:

H. MICHAEL KRIMBILL

By:

R. C. MILLS

By:

G. A. DARR

THE BETH ELISE BERTELSMEYER SNAPP TRUST

By:

BETH ELISE BERTELSMEYER SNAPP,
as Co-Trustee

By:

AMY RENE BERTELSMEYER WESTBROCK,
as Co-Trustee

THE AMY RENE BERTELSMEYER TRUST

By:

AMY RENE BERTELSMEYER WESTBROCK,
as Co-Trustee

By:

BETH ELISE BERTELSMEYER SNAPP,
as Co-Trustee

THE JOHN D. CAPPS TRUST

By:

ESTELLE A. CAPPS, as Trustee

By:

J. CHARLES SAWYER

By:

BILL W. BYRNE

By:

ROBERT K. BLACKMAN

By:

BYRON JAY COOK

By:

BLAINE L. CRONN

By:

MARK A. DARR

By:

LARRY J. LINDSEY

By:

RAY S. PARSONS

By:

CHARLES B. PASS

By:

KERMIT V. JACOBSEN

By:

THOMAS H. ROSE

By:

C. H. TIMBERLAKE, III

By:

CURTIS L. WEISHAHN

By:

WILLIAM V. CODY

By:

JAMES C. HAMILTON, II

By:

JACK MCKEEHAN

EXHIBIT A

ANNEX I

HERITAGE GP STOCKHOLDERS

PART 1: CASH PURCHASE PRICE

NAME OF AND ADDRESS OF HERITAGE GP STOCKHOLDERS	COMMON UNITS	CLASS B SUBORDINATED UNITS	CASH PURCHASE PRICE FOR UNITS TO BE PURCHASED
PURCHASERS OF COMMON UNITS AND CLASS B SUBORDINATED UNITS:			
James E. Bertelsmeyer 968 Spinnaker's Reach Dr. Ponte Vedra Beach, Florida 32082 and Donna C. Bertelsmeyer 968 Spinnaker's Reach Dr. Ponte Vedra Beach, Florida 32082	81,000	946,946	$ 20,282,650
H. Michael Krimbill 5620 East 114th Street Tulsa, Oklahoma 74137-8100	81,000	211,059	$ 5,762,691
R. C. Mills 160 Plantation Circle South Ponte Vedra Beach, Florida 32082	81,000	224,509	$ 6,028,077
Total Class B Subordinated Units:		1,382,514	
PURCHASERS OF COMMON UNITS:			
G. A. Darr 2830 Halle Parkway Collierville, Tennessee 38017	160,967		$ 3,176,073
J. Charles Sawyer 7916 Quailwood Drive Jacksonville, Florida 32256	64,157		$ 1,265,896
The Beth Elise Bertelsmeyer Snapp Trust 2408 East 30th Street Tulsa, Oklahoma 74114	152,325		$ 3,005,571
The Amy Rene Bertelsmeyer Trust 2350 South Delaware Avenue Tulsa, Oklahoma 74114	152,325		$ 3,005,571
The John D. Capps Trust #8 Brewster Lane La Grange Park, Illinois 60526	77,428		$ 1,527,756

NAME OF AND ADDRESS OF HERITAGE GP STOCKHOLDERS	COMMON UNITS	CLASS B SUBORDINATED UNITS	CASH PURCHASE PRICE FOR UNITS TO BE PURCHASED
Bill W. Byrne 6172 South Marion Avenue Tulsa, Oklahoma 74136	64,157		$ 1,265,896
Robert K. Blackman 104 Lupine Loop Ruidoso, New Mexico 88345	18,330		$ 361,683
Byron Jay Cook 1157 East Valley Street Challis, Idaho 83226	18,330		$ 361,683
Blaine L. Cronn 373 Guy Street Cedar Springs, Michigan 49319	18,330		$ 361,683
Mark A. Darr 124 Old Mill Court Ponte Vedra Beach, Florida 32085	18,330		$ 361,683
Larry J. Lindsey 2268 Oakland Avenue Pleasanton, California 94566	18,330		$ 361,683
Ray S. Parsons 579 Brewer Road Crossville, Tennessee 38555	18,330		$ 361,683
Charles B. Pass 120 Meadow Drive Helena, Montana 59601	18,330		$ 361,683
Kermit V. Jacobsen 869 Olympus Drive Sheridan, Wyoming 82801	18,330		$ 361,683
Thomas H. Rose 1305 118th Street Court N.W. Gig Harbor, Washington 98332	18,330		$ 361,683
C. H. Timberlake, III 485 Roi Coppley Road Lexington, North Carolina 27292	18,330		$ 361,683
Curtis L. Weishahn 70 Autumn Lane Reno, Nevada 89511	18,330		$ 361,683
William V. Cody 4095 Louis Court Auburn, California 95602	18,330		$ 361,683

NAME OF AND ADDRESS OF HERITAGE GP STOCKHOLDERS	COMMON UNITS	CLASS B SUBORDINATED UNITS	CASH PURCHASE PRICE FOR UNITS TO BE PURCHASED
James C. Hamilton, II 11671 Central Pike Mount Juliet, Tennessee 37122	18,330		$ 361,683
Jack McKeehan 1125 Greenwich Street Reno, Nevada 89511	9,165		$ 180,842
Total Common Units	1,161,814		$ 50,202,902

PART 2: CALCULATION OF NUMBER OF UNITS

The number of Units to be purchased by each Heritage GP Stockholder equals the quotient (rounded to the nearest whole number) of the Cash Purchase Price set forth for such Heritage GP Stockholder in Part 1 of this Annex I, divided by the Average Price.

"Average Price" means $19.73125.

PART 3: COMMON UNITS AND CLASS B SUBORDINATED INTERESTS

Each Heritage GP Stockholder listed in Part 1 as a purchaser of Common Units and Class B Subordinated Units will receive a number of Units calculated in accordance with Part 2, as follows: First, 81,000 Common Units and second, a number of Class B Subordinated Units equal to (a) the number of Units such Grande GP Stockholder is entitled to receive in accordance with Part 2, minus (b) 81,000 Units.

Each Heritage GP Stockholder listed in Part 1 as a purchaser of Common Units will receive a number of Common Units calculated in accordance with Part 2.

EXHIBIT 10.19

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HERITAGE OPERATING, L.P.

NOTE PURCHASE AGREEMENT

Dated as of August 10, 2000

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HERITAGE OPERATING, L.P.

8801 SOUTH YALE AVENUE, SUITE 310
TULSA, OKLAHOMA 74137

As of August 10, 2000

To Each of the Purchasers Named in the Initial
Purchaser Schedule Attached Hereto

Ladies and Gentlemen:

Heritage Operating, L.P., a Delaware limited partnership (the "Company") agrees with the purchasers named in the Initial Purchaser Schedule attached hereto (the "Initial Purchasers") as follows:

SECTION 1. AUTHORIZATION OF ISSUE OF NOTES.

The Company will authorize the issue of its senior secured promissory notes, in an aggregate principal amount not to exceed $250,000,000. Said senior secured promissory notes will be issued in one or more series (each a "Series") as hereinafter provided.

Section 1A. Initial Series. The senior secured promissory notes will initially be issued in six Series.

(i) The first such Series (the "Series A Notes") will be issued in the aggregate principal amount of $16,000,000; will be dated the date of issue; will bear interest from such date at the rate of 8.47% per annum, payable quarterly on the 15th day of each February, May, August and November in each year (commencing November 15, 2000) until the principal amount thereof shall become due and payable and shall bear interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest at the rate specified therein after the date due for payment, whether by acceleration or otherwise, until paid; will be expressed to mature on August 15, 2007; and will otherwise be substantially in the form attached hereto as Exhibit A-1.

(ii) The second such Series (the "Series B Notes") will be issued in the aggregate principal amount of $32,000,000; will be dated the date of issue; will bear interest from such date at the rate of 8.55% per annum, payable quarterly on the 15th day of each February, May, August and November in each year (commencing November 15, 2000) until the principal amount thereof shall become due and payable and shall bear interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest at the rate specified therein after the date due for payment, whether by acceleration or otherwise, until paid; will be expressed to mature on August 15, 2010; and will otherwise be substantially in the form attached hereto as Exhibit A-2.

(iii) The third such Series (the "Series C Notes") will be issued in the aggregate principal amount of $27,000,000; will be dated the date of issue; will bear interest from such date at the rate of 8.59% per annum, payable quarterly on the 15th day of each February, May, August and November in each year (commencing November 15, 2000) until the principal amount thereof shall become due and payable and shall bear interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest at the rate specified therein after the date due for payment, whether by acceleration or otherwise, until paid; will be expressed to mature on August 15, 2010; and will otherwise be substantially in the form attached hereto as Exhibit A-3.

(iv) The fourth such Series (the "Series D Notes") will be issued in the aggregate principal amount of $58,000,000; will be dated the date of issue; will bear interest from such date at the rate of 8.67% per annum, payable quarterly on the 15th day of each February, May, August and November in each year (commencing November 15, 2000) until the principal amount thereof shall become due and payable and shall bear interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest at the rate specified therein after the date due for payment, whether by acceleration or otherwise, until paid; will be expressed to mature on August 15, 2012; and will otherwise be substantially in the form attached hereto as Exhibit A-4.

(v) The fifth such Series (the "Series E Notes") will be issued in the aggregate principal amount of $7,000,000; will be dated the date of issue; will bear interest from such date at the rate of 8.75% per annum, payable quarterly on the 15th day of each February, May, August and November in each year (commencing November 15, 2000) until the principal amount thereof shall become due and payable and shall bear interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest at the rate specified therein after the date due for payment, whether by acceleration or otherwise, until paid; will be expressed to mature on August 15, 2015; and will otherwise be substantially in the form attached hereto as Exhibit A-5.

(vi) The sixth such Series (the "Series F Notes" and, collectively with the Series A Notes, the Series B Notes, the Series C Notes, the Series D Notes and the Series E Notes, the "Series A-F Notes") will be issued in the aggregate principal amount of $40,000,000; will be dated the date of issue; will bear interest from such date at the rate of 8.87% per annum, payable quarterly on the 15th day of each February, May, August and November in each year (commencing November 15, 2000) until the principal amount thereof shall become due and payable and shall bear interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest at the rate specified therein after the date due for payment, whether by acceleration or otherwise, until paid; will be expressed to mature on August 15, 2020; and will otherwise be substantially in the form attached hereto as Exhibit A-6.

Section 1B. Subsequent Series. Subsequent Series of promissory notes (collectively, the "Subsequent Notes") may be issued pursuant to Supplemental Note Purchase Agreements as provided in Section 2B in an aggregate principal amount not to exceed $70,000,000 and (i) shall be sequentially identified as "Series G Notes", "Series H Notes", "Series I Notes", et seq.;

(ii) shall be in the aggregate principal amount; (iii) shall be dated the date; (iv) shall bear interest from such date at the rate per annum and at the frequency; (v) shall bear interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest at the rate; and (vi) shall be expressed to mature on the date, all as set forth in the Supplemental Note Purchase Agreement relating thereto and shall otherwise be substantially in the form attached hereto as Exhibit A-7.

The Series A-F Notes and the Subsequent Notes are herein sometimes collectively referred to as the "Notes." As used herein, the term "Notes" shall include each Note delivered pursuant to this Agreement at any Closing Date and each Note delivered in substitution or exchange for any such Note pursuant hereto. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. The Notes are not subject to prepayment or redemption at the option of the Company prior to their respective expressed maturity dates except on the terms and conditions and in the amount and with the premium, if any set forth, or referred to, in Section 4 of this Agreement. The Notes will be secured by the Security Agreement. The Security Agreement and the Notes, to the extent secured thereby, are subject to the terms of the Intercreditor Agreement.

SECTION 2. PURCHASE AND SALE OF NOTES.

Section 2A. Series A-F Notes. The Company hereby agrees to sell to each Initial Purchaser and, subject to the terms and conditions herein set forth, each Initial Purchaser agrees to purchase from the Company the aggregate principal amount of the applicable Series A-F Notes set opposite such Initial Purchaser's name in the Initial Purchaser Schedule at 100% of the aggregate principal amount. The sale of the Series A-F Notes shall take place at the offices of Winston & Strawn, 35 W. Wacker Drive, Chicago, Illinois 60601 at 10:00 a.m., Chicago time, at a closing (the "Initial Closing") on August 10, 2000, or such other place and date as shall be agreed upon by the Company and each Initial Purchaser. At the Initial Closing the Company will deliver to each Initial Purchaser one or more Series A-F Notes, as applicable, registered in such Initial Purchaser's name (or in the name of its nominee), evidencing the aggregate principal amount of such Series A-F Notes to be purchased by said Initial Purchaser and in the denomination or denominations specified with respect to such Initial Purchaser in the Initial 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 the Initial Closing (the "Initial Closing Date") (as specified in a notice to each Initial Purchaser at least three Business Days prior to the Initial Closing Date).

Section 2B. Subsequent Notes. At any time, and from time to time, during the 365 day period immediately following the Initial Closing Date, the Company and one or more Eligible Purchasers may enter into an agreement substantially in the form of the Supplemental Note Purchase Agreement attached hereto as Exhibit B (a "Supplemental Note Purchase Agreement") in which the Company shall agree to sell to each such Eligible Purchaser named on the Supplemental Purchaser Schedule attached thereto (collectively, the "Supplemental Purchasers") and, subject to the terms and conditions herein and therein set forth, each such Supplemental Purchaser shall agree to purchase from the Company the aggregate principal amount of the Series of Subsequent Notes (which series shall aggregate not less than $5,000,000) described in

said Supplemental Note Purchase Agreement and set opposite such Supplemental Purchaser's name in the Supplemental Purchaser Schedule attached thereto at the price and otherwise under the terms set forth in said Supplemental Note Purchase Agreement. The sale of the Subsequent Notes of the Series described in said Supplemental Note Purchase Agreement will take place at the location, date and time set forth therein at a closing (a "Supplemental Closing"). At such Supplemental Closing the Company will deliver to each such Supplemental Purchaser one or more Notes of the Series to be purchased by said Supplemental Purchaser registered in such Supplemental Purchaser's name (or in the name of its nominee), evidencing the aggregate principal amount of Notes of such Series to be purchased by said Supplemental Purchaser and in the denomination or denominations specified with respect to such Supplemental Purchaser in such Supplemental 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 such Supplemental Closing (a "Supplemental Closing Date") (as specified in a notice to each such Supplemental Purchaser at least three Business Days prior to such Supplemental Closing Date).

SECTION 3. CONDITIONS OF CLOSINGS.

The obligation of each Initial Purchaser and Supplemental Purchaser to purchase and pay for the Notes to be purchased by such Purchaser hereunder on a Closing Date is subject to the satisfaction, on or before such Closing Date, of the following conditions:

Section 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.

Section 3B. Other Opinions of Counsel. Such Purchaser shall have received favorable opinions from Winston & Strawn, special counsel for the Company, and Doerner, Saunders, Daniel & Anderson, L.L.P., counsel for the Company, satisfactory to such Purchaser and substantially in the form of Exhibits C-1 and C-2, respectively, attached hereto. The Collateral Agent and the Purchasers shall have received favorable opinions from Andrews & Kurth L.L.P. and Doerner, Saunders, Daniel & Anderson, L.L.P., satisfactory to such Purchaser and the Collateral Agent and substantially in the form of Exhibits C-3 and C-4, respectively, attached hereto. The Company hereby directs each of its counsel referred to in this Section 3B to deliver to the Purchasers such opinions to be delivered by it pursuant to this Section 3B and authorizes the Purchasers to rely thereon.

Section 3C. Legal Investment. On such Closing Date, the purchase of Notes to be purchased on said date 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. If requested by a Purchaser by adequate prior written request to the Company, such Purchaser shall have received an Officer's Certificate of the Company certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 3D. Representations and Warranties; No Default. (i) The representations and warranties of the Company contained in this Agreement (including, without limitation, Section 8) and the Parity Debt Designation and those otherwise made in writing by or on behalf of the Company pursuant to this Agreement and the Parity Debt Designation shall be true and correct when made and on and as of such 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 such Closing Date, immediately after giving effect to the issuance and sale of the Notes to be sold on such date, no Default or Event of Default hereunder or under the Financing Documents or default by the Company under the Partnership Agreement.

(iii) The Company shall have delivered to such Purchaser an Officer's Certificate, dated such Closing Date, with respect to clauses (i) and (ii) hereto.

Section 3E. Purchase Permitted by Applicable Laws. The purchase of and payment for the Notes to be purchased by such Purchaser on such Closing Date on the terms and conditions herein, and in the applicable Supplemental Note Purchase Agreement, provided (including the use of the proceeds of such Notes by Company) shall not violate any applicable law or governmental regulation (including, without limitation, Section 5 of the Securities Act or Regulation T, U 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, and such Purchaser shall have received such certificates or other evidence as it may request to establish compliance with this condition.

Section 3F. Performance; Proceedings. (i) The Company shall have performed and complied in all material respects with all agreements and covenants contained in this Agreement (including the applicable Supplemental Note Purchase Agreement) required to be performed or complied with by it prior to or at such Closing.

(ii) All 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.

Section 3G. Sale of Notes to Other Purchasers. The Company shall have sold to the other Purchasers, if any, participating in such Closing the Notes to be purchased by them at such Closing and shall have received payment in full therefor.

Section 3H. Designation of Agreement as Additional Parity Debt Agreement. The Company shall have caused the Agreement to constitute an "Additional Parity Debt Agreement" and the Notes to constitute "Additional Parity Debt" all under the Intercreditor Agreement.

Section 3I. 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 such Closing Date.

Section 3J. Private Placement Number. The Company shall have obtained, for the Series of Notes being issued on such Closing Date, 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).

Section 3K. Insurance. Such Purchaser shall have received from the Company a summary description of all insurance policies, fidelity bonds or other insurance service contracts providing coverage for the Business.

Section 3L. Reliance Letter From U.S. Propane Counsel. Such Purchaser shall have received a letter from Andrews & Kurth L.L.P., counsel to U.S. Propane, addressed to the Purchasers and accompanied by the opinion of such counsel delivered in connection with the U.S. Propane Acquisition, to the effect that the Purchasers are entitled to rely on such opinion as if such opinion was originally addressed to the Purchasers.

Section 3M. Conditions to the Initial Closing. Simultaneously with the Initial Closing:

(i) The U.S. Propane Acquisition shall be consummated in conformity with the Contribution Agreement (the terms of which shall not be waived or amended on or prior to the closing thereof in any manner which is materially adverse to the Purchasers without the consent of the Required Holders) and such Purchaser shall receive satisfactory evidence of the foregoing.

(ii) Each of the Fourth Amendment Agreement and the Credit Agreement Amendment (i) shall be in the form satisfactory to such Purchaser, (ii) shall be duly executed and delivered by the parties thereto and (iii) shall constitute the legal, valid and binding obligation of the parties thereto enforceable against them 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).

(iii) The Company shall deliver to the Collateral Agent the Certificates and Stock Powers with respect to the Capital Stock of Subsidiaries acquired by the Company as the result of the U.S. Propane Acquisition.

SECTION 4. PREPAYMENTS.

The Notes shall be subject to prepayment only (a) pursuant to the required prepayments, if any, specified in Section 4A (with respect to the Series A-F Notes), the applicable Supplemental Note Purchase Agreement (with respect to each Series of Subsequent Notes), and Section 4C (with respect to all Notes without regard to Series); and (b) pursuant to the optional

prepayments permitted by Section 4B (with respect to all Notes without regard to Series but subject to Section 4E).

Section 4A. Series A-F Required Prepayments; Maturity.

(i) Until the Series A Notes shall be paid in full, the Company shall apply to the prepayment of the Series A Notes, without premium, the designated amounts of principal set forth below (or, if less, the principal amount of the Series A Notes as shall at the time be outstanding) on August 15 in each of the years set forth below, together with interest thereon to the prepayment dates, provided, however, that if the Company shall prepay all or any portion of the Notes pursuant to Section 4B or 4C, or acquire any Series A Notes pursuant to the provisions of Section 4H, each of the principal amount payable at maturity and the principal amount of each required prepayment of the Series A 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 Series A Notes is reduced as a result of such prepayment or acquisition:

Principal Amount to be Prepaid	Year of Prepayment
$3,200,000	2003
3,200,000	2004
3,200,000	2005
3,200,000	2006
3,200,000	2007

The remaining outstanding principal amount of the Series A Notes, together with all interest accrued on the Series A Notes, shall become due and payable on August 15, 2007.

(ii) Until the Series B Notes shall be paid in full, the Company shall apply to the prepayment of the Series B Notes, without premium, the designated amounts of principal set forth below (or, if less, the principal amount of the Series B Notes as shall at the time be outstanding) on August 15 in each of the years set forth below, together with interest thereon to the prepayment dates, provided, however, that if the Company shall prepay all or any portion of the Notes pursuant to Section 4B or 4C, or acquire any Series B Notes pursuant to the provisions of Section 4H, each of the principal amount payable at maturity and the principal amount of each required prepayment of the Series B 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 Series B Notes is reduced as a result of such prepayment or acquisition:

Principal Amount to be Prepaid	Year of Prepayment
$4,571,429	2004
4,571,429	2005
4,571,429	2006
4,571,429	2007
4,571,429	2008
4,571,429	2009
4,571,426	2010

The remaining outstanding principal amount of the Series B Notes, together with all interest accrued on the Series B Notes, shall become due and payable on August 15, 2010.

(iii) Until the Series C Notes shall be paid in full, the Company shall apply to the prepayment of the Series C Notes, without premium, the designated amounts of principal set forth below (or, if less, the principal amount of the Series C Notes as shall at the time be outstanding) on August 15 in each of the years set forth below, together with interest thereon to the prepayment dates, provided, however, that if the Company shall prepay all or any portion of the Notes pursuant to Section 4B or 4C, or acquire any Series C Notes pursuant to the provisions of Section 4H, each of the principal amount payable at maturity and the principal amount of each required prepayment of the Series C 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 Series C Notes is reduced as a result of such prepayment or acquisition:

Principal Amount to be Prepaid	Year of Prepayment
$5,750,000	2006
5,750,000	2007
4,000,000	2008
5,750,000	2009
5,750,000	2010

The remaining outstanding principal amount of the Series C Notes, together with all interest accrued on the Series C Notes, shall become due and payable on August 15, 2010.

(iv) Until the Series D Notes shall be paid in full, the Company shall apply to the prepayment of the Series D Notes, without premium, the designated amounts of principal set forth below (or, if less, the principal amount of the Series D Notes as shall at the time be outstanding) on August 15 in each of the years set forth below, together with interest thereon to the prepayment dates, provided, however, that if the Company shall prepay all or any portion of the Notes pursuant to Section 4B or 4C, or acquire any Series D Notes pursuant to the provisions

of Section 4H, each of the principal amount payable at maturity and the principal amount of each required prepayment of the Series D 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 Series D Notes is reduced as a result of such prepayment or acquisition:

Principal Amount to be Prepaid	Year of Prepayment
$12,450,000	2008
12,450,000	2009
7,700,000	2010
12,450,000	2011
12,950,000	2012

The remaining outstanding principal amount of the Series D Notes, together with all interest accrued on the Series D Notes, shall become due and payable on August 15, 2012.

(v) Until the Series E Notes shall be paid in full, the Company shall apply to the prepayment of the Series E Notes, without premium, the designated amounts of principal set forth below (or, if less, the principal amount of the Series E Notes as shall at the time be outstanding) on August 15 in each of the years set forth below, together with interest thereon to the prepayment dates, provided, however, that if the Company shall prepay all or any portion of the Notes pursuant to Section 4B or 4C, or acquire any Series E Notes pursuant to the provisions of Section 4H, each of the principal amount payable at maturity and the principal amount of each required prepayment of the Series E 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 Series E Notes is reduced as a result of such prepayment or acquisition:

Principal Amount to be Prepaid	Year of Prepayment
$1,000,000	2009
1,000,000	2010
1,000,000	2011
1,000,000	2012
1,000,000	2013
1,000,000	2014
1,000,000	2015

The remaining outstanding principal amount of the Series E Notes, together with all interest accrued on the Series E Notes, shall become due and payable on August 15, 2015.

(vi) Until the Series F Notes shall be paid in full, the Company shall apply to the prepayment of the Series F Notes, without premium, the designated amounts of principal set

forth below (or, if less, the principal amount of the Series F Notes as shall at the time be outstanding) on August 15 in each of the years set forth below, together with interest thereon to the prepayment dates, provided, however, that if the Company shall prepay all or any portion of the Notes pursuant to Section 4B or 4C, or acquire any Series F Notes pursuant to the provisions of Section 4H, each of the principal amount payable at maturity and the principal amount of each required prepayment of the Series F 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 Series F Notes is reduced as a result of such prepayment or acquisition:

Principal Amount to be Prepaid	Year of Prepayment
$3,636,364	2010
3,636,364	2011
3,636,364	2012
3,636,364	2013
3,636,364	2014
3,636,364	2015
3,636,364	2016
3,636,363	2017
3,636,363	2018
3,636,363	2019
3,636,363	2020

The remaining outstanding principal amount of the Series F Notes, together with all interest accrued on the Series F Notes, shall become due and payable on August 15, 2020.

Section 4B. Optional Prepayment. All 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.

Section 4C. Contingent Prepayments on Disposition, Loss of Assets or Merger or Change of Control. (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 (iv) 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 or $12,500,000 in the aggregate for all fiscal years of unapplied Excess Sale Proceeds and Excess Taking Proceeds (such unapplied amounts 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 or $12,500,000 in the aggregate for all fiscal years, 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 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.

Section 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 Officer's 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 of 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 than 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 Officer's 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 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 Officer's 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.

Section 4E. Allocation of Section 4B Payments among Series. Upon any partial prepayment of the Notes pursuant to Section 4B,

(x) during any period in which neither a Default, an Event of Default nor Debt Rating Event shall exist, the Company may allocate the principal amount to be prepaid among the various Series of then outstanding Notes in any manner which it, in its sole discretion, may elect, and

(y) during any period in which a Default, an Event of Default or a Debt Rating Event shall exist, the principal amount to be prepaid shall be applied on all outstanding Notes, without regard to Series, ratably in accordance with the unpaid principal amounts thereof.

Section 4F. Allocation of Partial Payments within a Series. Upon any partial prepayment of the Notes of any Series, the principal amount so prepaid with respect to such Series shall be allocated to all Notes of such Series 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.

Section 4G. Notice of Optional Prepayment. The Company shall give the holder of each Note of a Series then to be prepaid 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 of such Series, and of the Notes of such Series 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 of such Series

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 of such Series to be prepaid and the prepayment date to each holder which shall have designated a recipient of such notices in the Purchaser Schedule applicable to such Series or by notice in writing to the Company. In addition, each holder of a Note of such Series shall receive, at least 2 Business Days prior to the date scheduled for any such prepayment, an Officer's 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 of such Series, setting forth (a) the principal amount to be prepaid with respect to each of the Notes of such Series 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 of such Series under Section 4A, or the Supplemental Note Purchase Agreement pursuant to which the Notes of such Series were issued, 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 of such Series 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 holder or holders of at least 51% of the aggregate principal amount of the Notes of such Series at the time outstanding and specified in a written notice provided to the Company and the other holders of the Notes of such Series, such calculation shall be final and binding upon the Company and the holders of the Notes of such Series absent manifest error.

Section 4H. 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, 4C or the provisions of a Supplemental Note Purchase Agreement or upon acceleration of such final maturity pursuant to Section 7A), or purchase or otherwise acquire, directly or indirectly, Notes of any Series 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 of such Series held by each other holder of Notes of such Series 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 of any Series 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.

Section 4I. Notes Not to be Reissued. 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 and shall not be reissued.

SECTION 5. AFFIRMATIVE COVENANTS.

The Company hereby covenants and agrees that, from the Initial 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.

Section 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 other holder:

(i) as soon as practicable and in any event within 50 days after the end of each 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, 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 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 Quarterly Report on Form 10-Q of the Master Partnership for such quarterly period filed with the Commission shall be deemed to satisfy the requirements of this clause (i) 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 for such quarterly period, and (y) all such statements required to be delivered pursuant to this clause (i) with respect to the Company and its Subsidiaries are either included in such Form 10-Q or delivered separately by the Company together with such Form 10-Q;

(ii) as soon as practical and in any event within 95 days after the end of each fiscal year, consolidated statements of income and cash flows and a consolidated statement of partners' capital (or stockholders' equity, as applicable) of the Company and its Subsidiaries for such year, and consolidated balance sheets of the Company and its Subsidiaries, as at the end of such year, setting forth in each case, in comparative form corresponding consolidated figures from the preceding annual audit, all in reasonable detail and 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 (provided that such report shall not include with the scope of the audit the consolidating statements, if any, required by the final proviso of this clause (ii)); 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 for such fiscal year, 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 or delivered separately by the Company together with such Form 10-K; and, provided further, however, that at any time the Total Assets of the Company and its Subsidiaries account for less than 85% of the Total Assets of the Master Partnership for any fiscal year, then the statements and balance sheet required to be delivered with respect to the Company and its Subsidiaries in this clause (ii) for such fiscal year shall be both consolidated and consolidating, and such consolidating statements shall be 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 for the absence of footnotes);

(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 concurrent 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 Master Partnership shall send or make available to the public holders of Units 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 $2,000,000, 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 Document, 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) within 45 days after the end of each calendar year, commencing with the year ending December 31, 2000, 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 referred to in Section 3K, 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; provided, however, that for so long as the Security Agreement remains in full force and effect, delivery by the Company to the Collateral Agent of the report specified in Section 5.1(g) of the Security Agreement shall be deemed to satisfy the requirements of this clause (xi); 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 Officer's 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.

Section 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.

Section 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.

Section 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.

Section 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 or the Credit Agreement and will include in that notice a reasonably detailed description of such amendment and the intended effects thereof.

Section 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.

Section 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.

Section 5H. Maintenance and Sufficiency of Properties. 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.

(i) 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.

Section 5I. Insurance. 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.

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.

Section 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.

Section 5K. After-Acquired Property. From and after the date of the Initial 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, subject to Liens permitted by the Security Agreement, in any asset acquired by the Company or any Subsidiary of the Company (including, without limitation, the Capital Stock of any Subsidiary) after the Initial Closing, to the extent such asset would have been included in the Collateral at the Initial Closing had the Company or one of its Subsidiaries owned such asset as of the Initial 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.

Section 5L. 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 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.

Section 5M. 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.

Section 5N. 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.

Section 5O. Available Cash Reserves. The Company will maintain in each fiscal quarter an amount of 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 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 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 (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 (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 scheduled 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 6A and 6B.

Section 5P. 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 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, 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), the 1996 Senior Secured Notes and the 1997 Senior Secured Notes 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.

Section 5Q. Special Counsel Opinions. The Company shall either (x) on the Initial Closing Date, cause to be delivered to the Collateral Agent, a letter from each of the respective special counsel listed on Schedule 5Q attached hereto addressed to the Collateral Agent and accompanied by the opinion of such counsel delivered in connection with the Note Purchase Agreement dated as of June 25, 1996 among Heritage, the Company and the Purchasers named therein (the "Original Opinion"), to the effect that the Collateral Agent is entitled to rely on such Original Opinion as if such opinion was originally addressed to the Collateral Agent; or, (y) in lieu of delivering any such letter, on the Initial Closing Date, cause an attorney or law firm, reasonably acceptable to the Initial Purchasers, to deliver to the Collateral Agent an opinion substantially in the form of the Original Opinion which was originally delivered by the special counsel referred to in Schedule 5Q which has not delivered the letter referred to in clause (x) above.

Section 5R. General Partner. At such time as U.S. Propane shall be substituted for Heritage as general partner of the Company, (i) no Default or Event of Default shall exist and be continuing before and after giving effect to such substitution, (ii) U.S. Propane shall assume in writing the obligations of Heritage under the Partnership Agreement, (iii) U.S. Propane shall not engage in any business or own any assets other than the ownership of general and/or limited partner interests in the Company and the Master Partnership and the ownership of interests in the General Partner and any activities incidental thereto, including, without limitation, cash management services for Heritage, the Company and its Subsidiaries and inter-company loans made to Heritage, the Company and its Subsidiaries in the ordinary course of business and (iv) immediately after giving effect to such substitution, no Material Adverse Effect shall exist.

SECTION 6. NEGATIVE COVENANTS.

The Company hereby covenants and agrees that from the Initial Closing and thereafter so long as any of the Notes are outstanding:

Section 6A. Financial Ratios. The Company will not permit:

(i) Ratio of Consolidated Funded Indebtedness to Consolidated EBITDA. The ratio as of the end of any fiscal quarter of Consolidated Funded Indebtedness to Consolidated EBITDA to exceed 5.25 to 1.00;

(ii) Minimum Interest Coverage. The ratio as of the end of any fiscal quarter of Consolidated EBITDA to Consolidated Interest Expense to be less than 2.25 to 1.00; or

(iii) Ratio of Adjusted Consolidated Funded Indebtedness to Adjusted Consolidated EBITDA. The ratio as at the end of any fiscal quarter of Adjusted Consolidated Funded Indebtedness to Adjusted Consolidated EBITDA to exceed 6.25 to 1.00.

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 (xiv)(b) of Section 6C, Section 6F, or clauses (i)(b), (i)(c), (ii)(b) and (iii) of Section 6G, (x) if after giving effect to any such transaction a Default or Event of Default exists, or (y) if the consummation of any such transaction would result in a violation 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.

Section 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 1996 Senior Secured Notes, the 1997 Senior Secured Notes and Indebtedness incurred in connection with any extension, renewal, refunding or refinancing of Indebtedness evidenced thereby, provided that (x) the principal amount of such Indebtedness shall not exceed the principal amount of the Indebtedness evidenced by the 1996 Senior Secured Notes or the 1997 Senior Secured Notes, as the case may be, together with, in each case, any accrued interest and Yield Maintenance Amount, with respect thereto being extended, renewed, refunded or refinanced, and (y) such Indebtedness may not have an average life to maturity shorter than the remaining average life to maturity of the Indebtedness 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 an amount equal to (x) $50,000,000 less (y) the amount of Indebtedness, if any, outstanding under the revolving working capital facility permitted by clause (v) of this Section 6B;

(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 any such permitted purpose which replaces, extends, renews, refunds or refinances any such Indebtedness, in whole or in part; and up to $10,000,000 of Indebtedness owing from time to time to the seller(s) in Asset Acquisition(s) (in addition to Non-Compete Obligations permitted pursuant to the provisions of clause (xii) of this Section 6B); provided that the aggregate principal amount of indebtedness permitted under this clause (iii) shall not at any time exceed the Contracted Dollar;

(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) Heritage Service Corp. may become and remain liable with respect to Indebtedness incurred under a revolving working capital facility and for any purpose permitted by such revolving working capital facility and any Indebtedness incurred for any 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 (v) shall not at any time exceed $3,000,000;

(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 lien 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) M-P Energy Partnership and M-P Oils, Ltd. may become and remain liable with respect to Indebtedness in an aggregate principal amount not to exceed $10,000,000, and the Company may become and remain liable with respect to Guarantees of such Indebtedness of M-P Energy Partnership or M-P Oils, Ltd. and of Indebtedness of Bi-State, Heritage Energy Resources L.L.C., or any other Subsidiaries of the Company, provided that the aggregate amount of all Guarantees permitted by this clause (viii) shall not exceed $10,000,000;

(ix) any Person that after the date of the Initial 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 and Non-Compete Obligations; provided that the Lien in respect thereof is permitted by clause (viii) of Section 6C; and

(xiii) the Company and its Subsidiaries may become and remain liable with respect to the Notes and other 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, (b) the ratio of Consolidated EBITDA to Consolidated Pro Forma Maximum Debt Service is equal to or greater than 1.25 to 1.0 and (c) no Default or Event of Default shall exist.

Section 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 after June 25, 1996 to secure all or any part of the purchase price, or to secure Indebtedness (other than Parity Debt) 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 or to secure obligations incurred in consideration of noncompete agreements ("Non-Compete Obligations") entered into in connection with any such acquisition, including an acquisition complying with clause (b)(y) of Section 6I; provided that (a) any such Lien shall be confined solely to the item or items of such property (or improvement thereon) 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 (and, in the case of any Lien securing Non-Compete Obligations, shall also be limited to (x) such item or items of property so acquired which are not included in the definition of Collateral and (y) such additional items of the property so acquired, having a total fair market value (as determined in good faith by the Board of Directors of the General Partner) for the sum of (x) and (y) that is not more than the amount of the Non-Compete Obligations so secured), (b) such 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, (d) such Lien does not exceed an amount equal to 85% of the fair market value (100% in the case of Capitalized Lease Obligations and 35% in the case of Non-Compete Obligations) of such property (as determined in good faith by the Board of Directors of the General Partner) at the time of acquisition thereof and (e) after giving effect to such Lien no Default or Event of Default shall exist;

(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 on the property or assets of Heritage Service Corp. securing Indebtedness permitted by clause (v) of Section 6B provided that (i) such Liens shall at all times be confined to property or assets having an aggregate fair market value not exceeding $6,000,000 and (ii) as a result of any such Lien no Default or Event of Default shall exist;

(xiv) Liens created by any of the Security Documents securing (a) Indebtedness evidenced by the 1996 Senior Secured Notes, the 1997 Senior Secured Notes, the Acquisition Facility or the Revolving Working Capital Facility and (b) the Notes and other Additional Parity Debt; and

(xv) 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 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.

Section 6D. Priority Debt. The Company will not permit Priority Debt, at any time, to exceed the sum of (i) $15,000,000 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.

Section 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 by the Company to any Wholly-Owned Subsidiary incurred in the ordinary course of the Company's business as conducted through its Subsidiaries or to employees incurred in the ordinary course of business and consisting of advances to pay reimbursable expenditures, (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 Services 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 Services 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 Services or Prime-2 or better (or comparably if the rating system is changed) by Moody's Investors Service, Inc. or (B) the long-term unsecured 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 Services 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, National Association, not to exceed $1,000,000.

(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 Initial 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 Initial 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 of determination exceed 2% of Consolidated Net Tangible Assets (provided that the aggregate amount of Investments permitted under this subclause (iii) shall not at any time exceed $12,500,000); and (iv) no Investment pursuant to this clause (v) may be made unless if after giving effect thereto no Default or Event of Default exists;

(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 or in a Wholly-Owned Subsidiary of the Company.

Section 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, during each fiscal quarter a Restricted Payment if (i) such Restricted Payment, together with all other Restricted Payments during such fiscal quarter, do not in the aggregate exceed the amount of 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.

Section 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 and its Subsidiaries immediately prior to the effectiveness of such transaction, satisfaction of this requirement to be set forth in reasonable detail in an Officer's 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 and its Subsidiaries immediately prior to the effectiveness of such transaction, satisfaction of this requirement to be set forth in reasonable detail in an Officer's 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 nonexcepted 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, satisfaction of this requirement to be set forth in reasonable detail in an Officer's Certificate delivered to each holder of a Note at the time of such transaction in the case of any Asset Sale involving assets that generate Consolidated EBITDA and involve consideration of $2,500,000 or more;

(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 limitation described in this clause (b) shall not apply to any sale or other disposition generating less than $2,500,000 of Net Proceeds;

(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 Initial Closing Date through the date of such disposition does not exceed $20,000,000; 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) such sale or other proposed disposition shall be for fair value and in the best interests of the Company, satisfaction of this requirement to be certified in an Officer's Certificate delivered to the Noteholders in the case of any Asset Sale involving assets that generate Consolidated EBITDA and involve consideration of $2,500,000 or more.

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 fair 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.

Section 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 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).

Section 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)(x) 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, or (y) such transaction involves the

acquisition by the Company from the General Partner of assets formerly owned by an entity, the Capital Stock of which was purchased by the General Partner or a Wholly-Owned Subsidiary of the General Partner, which acquisition is for a substantially equivalent value as the value of such purchase and is consummated within ten days after the consummation of such purchase, as long as such transaction otherwise would be permitted hereunder had the Company acquired such assets directly from such entity (including, for example, the acquisition by the Company from the General Partner of assets formerly owned by Kingston Propane, Inc.), (ii) such transaction is in connection with the incurrence of Indebtedness pursuant to Section 6B(viii), (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 dated as of June 28, 1996, among Heritage, the Company and the other signatories thereto (substantially in the form in effect on the Initial Closing Date), (vi) such transaction involves indemnification and contribution under Section 7.7 of the Partnership Agreement (as said section is in effect on the Initial 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 of the Master Partnership filed with the Commission on April 25, 1996, as amended.

Section 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.

Section 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.

Section 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.

Section 6M. Material Agreements; Tax Status. The Company will not:

(i) amend or directly or indirectly modify in any manner 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; 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.

SECTION 7. EVENTS OF DEFAULT.

Section 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 $5,000,000; provided, further, that no waiver, modification or amendment relating to any such a default (payment or other) or such a failure or other event with respect to any Parity Debt or agreement or instrument relating to any Parity Debt shall be effective for purposes of this clause (iii) if any consideration (other than the payment of reasonable attorney's fees) is given, directly or indirectly, by the Company or any of its Subsidiaries or Affiliates in respect thereof, unless substantially the same consideration is given to the holders of the Notes; or

(iv) any representation or warranty made in any writing by or on behalf of the Company or the General Partner in this Agreement, any other Financing Document or the Parity Debt Designation or any instrument furnished pursuant to this Agreement 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 Section 5A(v); 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 $5,000,000 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, subject to Liens permitted by the Security Agreement, 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) any of the events described in clauses (a), (b), (c) or (d) shall occur: (a) the General Partner shall be engaged in any business or activities other than those permitted by the Partnership Agreement as in effect from time to time and in accordance with Section 6H, or (b) Heritage or U.S. Propane ceases to be the sole general partner of the Company or the Master Partnership, or (c) the Specified Entities shall own, directly or indirectly through Wholly-Owned Subsidiaries, in the aggregate less than 51% of the Capital Stock of the General Partner, or (d) either Designated Current Manager shall, at any time during the Lock-up Period applicable to such Designated Current Manager, own, directly or indirectly, less than 50% of the Common Units of the Master Partnership owned, directly or indirectly, by such Designated Current Manager immediately after giving effect to the Proposed Reorganization; 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.

Section 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.

Section 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.

Section 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.

SECTION 8. REPRESENTATIONS, COVENANTS AND WARRANTIES.

The Company represents, covenants and warrants as follows:

Section 8A. Organization. The Company 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, to conduct its business, to enter into this Agreement, the other Financing Documents and the Parity Debt Designation, to issue and sell the Notes, and to carry out the terms of this Agreement, the Notes and the other Financing Documents. 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).

Section 8B. Partnership Interests. The sole general partner of the Company is Heritage (or, if applicable, U.S. Propane), which owns a 1.0101% general partner interest in the Company. The only limited partner of the Company is the Master Partnership, which owns a 98.9899% limited partner interest in the Company and the Company does not have any partners other than Heritage (or, if applicable, U.S. Propane) and the Master Partnership. The Company does 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), (iii) or (vi)).

Section 8C. Qualification. The Company 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, limited liability company 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. The Company has taken all necessary partnership action to authorize the execution, delivery and performance by it of this Agreement, the other Financing Documents, the Parity Debt Designation and the Notes. At or prior to the Initial Closing, the Company will have duly executed and delivered each of this Agreement and the Series A-F Notes. At or prior to each Supplemental Closing the Company shall have duly executed and delivered each of the applicable Supplemental Note Purchase Agreement and the Series of Notes to be issued and sold pursuant thereto. This Agreement, said Supplemental Note Purchase Agreements and said Series A-F Notes and Subsequent Notes will constitute the legal, valid and binding obligations of the Company enforceable against it in accordance with their 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).

Section 8D. Business; Financial Statements.

(a) Business. The Memorandum generally sets forth the business conducted by the Company and its Subsidiaries at the date hereof.

(b) Financial Statements.

(i) The Annual Reports as Form 10-K of the Master Partnership for the fiscal years ended August 31, 1998 and August 31, 1999 have been prepared in compliance with the requirements therefor and filed with the Commission and present a true and fair view of the state of affairs of the Master Partnership as at such dates and, with respect to the profit and cash flows of the Master Partnership and its Subsidiaries, for the twelve month periods then ended. The Consolidated Net Income of the Company and its Subsidiaries accounted for at least 95% of the net income of the Master Partnership for each such fiscal year;

(ii) Since August 31, 1999 there has been no change in the financial condition of the Company and its Subsidiaries, as shown on the Annual Report on Form 10-K with respect to the fiscal year ended on such date, except changes which are described in the Memorandum or which, individually or in the aggregate, would reasonably be expected not to have a Material Adverse Effect.

Section 8E. Actions Pending. There is no action, suit, investigation or proceeding pending or, to the knowledge of the Company, threatened against the Company or any of the Subsidiaries of the Company, or any properties or rights of the Company 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, any other Financing Document, the Partnership Agreement, the Parity Debt Designation or the Notes or any action to be taken pursuant to this Agreement, any other Financing Document, the Partnership Agreement, the Parity Debt Designation or the Notes or (ii) which could reasonably be expected to result in a Material Adverse Effect.

Section 8F. Changes. Except as contemplated by this Agreement or the Notes or as described in the Memorandum, since August 31, 1999 (i) the Company has not 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 the Company.

Section 8G. Outstanding Indebtedness. Other than the Indebtedness represented by the Notes, neither the Company 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 Initial Closing Date will be paid in full at the time of the Initial Closing. There exists no default under the provisions of any instrument evidencing such Indebtedness or of any agreement relating thereto. No instrument or agreement to which the Company or any of the Subsidiaries of the Company is a party or by which the Company, any such Subsidiary, or their respective properties is bound (other than this Agreement and other than as indicated in Schedule 8G) will contain any restriction on the incurrence by the Company or any of the Subsidiaries of the Company of additional Indebtedness.

Section 8H. Title to Properties. (i) Except as set forth on Schedule 8H, each of the Company and the Subsidiaries of the Company will at the Initial Closing 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 and (b) considering all such Permits in the possession of, and complied with by, the Company 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 Company to be obtained or given in the ordinary course of business after the Initial 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 Initial Closing Date, the Company and the Subsidiaries of the Company will have, (i) good and marketable title to, or valid leasehold interests in, all of their respective 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 their respective 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 Initial Closing. The assets owned by the Company and the Subsidiaries of the Company are all of the assets and properties reasonably necessary to enable the Company and its Subsidiaries to conduct the Business. 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 the Company and the Subsidiaries of the Company 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 the Company or any Subsidiaries of the Company is subject to any Lien other than Liens permitted hereunder.

Section 8I. Taxes. On the Initial Closing Date, each of the Company and its Subsidiaries will have filed all federal, state and other income tax returns which, to the knowledge of the Company, are required to be filed or will have properly filed for extensions of time for the filing thereof, and will have 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 Company is a limited partnership not subject to taxation with respect to its income or gross receipts under applicable state laws and is treated as a pass-through entity for U.S. federal income tax purposes.

Section 8J. Compliance with Other Instruments, etc.; Solvency. (i) On the Initial Closing Date, neither the Company 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 and the Notes and the Parity Debt Designation will not violate (a) any provision of the Partnership Agreement or other constitutive documents or by-laws of the Company 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 the Company 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 Series A-F Notes on the Initial Closing Date and to the application of the proceeds thereof as contemplated herein, no Note shall be "in default," as that term is used in section 1405(a)(2) of the New York Insurance Law. The Company is 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).

Section 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 or the Notes, or the Parity Debt Designation or for the valid offer, issue, sale, delivery and performance of the Notes pursuant to this Agreement.

Section 8L. Offering of Notes. Neither the Company nor any of its 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 the Company 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 30 other institutional investors, and neither the Company nor anyone acting on its behalf 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.

Section 8M. Use of Proceeds. The net proceeds of the sale of the Notes will be used (w) to fund the U.S. Propane Acquisition, (x) to refinance certain Indebtedness of the Company under the Credit Agreement, (y) to pay costs incurred in connection with the U.S. Propane Acquisition and the issuance of the Series A-F Notes; and (z) to provide funds for general corporate purposes. 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 8R 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. Neither the Company nor anyone acting on its behalf has taken or will take any action which might cause this Agreement or the Notes to violate 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.

Section 8N. ERISA. Each of the Company and its 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 $2,000,000 the fair market value of the assets of all such underfunded Plans.

Section 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 at the Initial Closing Date the Company and each Subsidiary of the Company will be in compliance with all Environmental Laws applicable to it and to the Business or its assets. At the Initial Closing the Company 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. The Company 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 the Company to any Governmental Authority or Person have been filed by the Company, 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 the Company, any of its Subsidiaries or Heritage except to the extent that such presence could not reasonably be expected to have a Material Adverse Effect, and (b) to the knowledge of the Company, any of its Subsidiaries or Heritage, there was no Hazardous Substance present at any of the real property formerly owned or leased by the Company, any of its Subsidiaries or Heritage during the period of ownership or leasing by the Company, any of its Subsidiaries or Heritage except to the extent that such presence could not be reasonably expected to have a Material Adverse Effect; 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 the Company, any of its Subsidiaries or Heritage, threatened release of a Hazardous Substance, or (y) any discharge or, to the knowledge of the Company, any of its Subsidiaries or Heritage, 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, except to the extent that such release or discharge could not reasonably be expected to have a Material Adverse Effect.

(iii) None of the Company, any of its Subsidiaries or Heritage 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 the Company, any of its Subsidiaries or Heritage, and (b) to the knowledge of the Company, any of its Subsidiaries or Heritage, 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 the Company, any of its Subsidiaries or Heritage in violation of any Environmental Law, and (b) to the knowledge of the Company, any of its Subsidiaries or Heritage, 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 the Company 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.

Section 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.

Section 8Q. Disclosure. This Agreement, the Notes, the Memorandum and any other document, certificate or statement furnished to any Purchaser by or on behalf of the Company or any of its Subsidiaries or Affiliates, in connection herewith, taken together, do 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 the Company which has or in the future could reasonably be expected to have (so far as the Company 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 the Company prior to the date hereof in connection with the transactions contemplated hereby.

Section 8R. Federal Reserve Regulations. None of the Company, 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," in each case within the meaning of Regulation U 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 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 the Company does not own or have any present intention of acquiring any amount of such "margin stock."

Section 8S. Investment Company Act. None of the Company 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.

Section 8T. Public Utility Holding Company Act. Each of the Company 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 a no-action letter from the Commission dated June 19, 1996.

Section 8U. Intercreditor Agreement and Security Agreement. The Intercreditor Agreement is, to the best knowledge of the Company, in full force and effect. The Security Agreement is in full force and effect. Prior to the date hereof neither the Security Agreement nor, to the best knowledge of the Company, except for the Amendment Agreement to the Intercreditor Agreement dated as of October 15, 1999, the Intercreditor Agreement has been amended or supplemented. The Company has delivered to the Collateral Agent such Certificate and Stock Powers and such Financing Statements under the Uniform Commercial Code of such jurisdictions as are necessary to perfect the Liens created by the Security Agreement. The Financing Statements have been filed in all of such necessary jurisdictions to perfect the assignment of the security interest purported to be created by the Security Agreement.

Section 8V. Certain Representations of Company and General Partner. The representations and warranties of the Company and the General Partner contained in the Financing Documents (other than this Agreement) and those otherwise made in writing by or on behalf of the Company or the General Partner pursuant to such Financing Documents were true and correct when made and shall continue to be true and correct (unless stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct as of such earlier date).

Section 8W. Labor Matters. Except as set forth in Schedule 8W, (i) neither the Company nor any of its Subsidiaries is a party to any collective bargaining agreement or other contracts with a labor union or labor organization; and (ii) to the knowledge of the Company, there is no (1) unfair labor practice, labor dispute (other than routine individual grievances) or labor arbitration proceeding pending or threatened against the Company or its Subsidiaries, which, in the aggregate, could reasonably be expected to have a Material Adverse Effect, (2) activity or proceeding by a labor union or representative thereof to organize any employees of the Company or any of its Subsidiaries, (3) lockout, strike, slowdown, work stoppage or threat thereof by or with respect to any such employees or (4) material dispute, grievance or litigation relating to labor matters involving any employee. Each of the Company and its Subsidiaries is in

compliance with all Applicable Laws regarding employment, employment practices, terms and conditions of employment and wages, except for such noncompliance which, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

SECTION 9. REPRESENTATIONS OF EACH PURCHASER.

Each Purchaser severally and not jointly represents as follows:

Section 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.

Section 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 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; or

(vii) the Source is an insurance company separate account maintained solely in connection with the fixed contractual obligations of the insurance company under which the amounts payable or credited to any employee benefit plan (or its related trust) and to any participant or beneficiary of such plan (including any annuitant) are not affected in any manner by the investment performance of the separate account.

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.

Section 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.

Section 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 9D 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.

SECTION 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:

Section 10A. Yield-Maintenance Terms.

"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 third Business Day next preceding the Settlement Date with respect to such Called Principal, on the display designated as "PX1" on the Bloomberg Financial Markets Service (or such other display as may replace Page PX1 on the Bloomberg Financial Markets 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 third 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.

Section 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 acquisition revolving credit facility of the Company provided for in the Credit Agreement for the purpose of financing acquisitions and improvements and repairs in the aggregate principal amount not to exceed $50,000,000.

"Additional Parity Debt" shall mean Indebtedness of the Company incurred 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.

"Adjusted Consolidated EBITDA" shall mean, as of any date of determination for any applicable period, Consolidated EBITDA calculated

(x) with respect to the consolidated group comprised of the General Partner, the Master Partnership and the Company and its Subsidiaries (rather than with respect to the consolidated group comprised of the Company and its Subsidiaries), and

(y) as if the terms 'Consolidated Non-Cash Charges', 'Consolidated Net Income', 'Consolidated Interest Expense', 'Consolidated Income Tax Expense', 'Asset Sale', and 'Asset Acquisition', were calculated with respect to the consolidated group comprised of the General Partner, the Master Partnership and the Company and its Subsidiaries (rather than with respect to the consolidated group comprised of the Company and its Subsidiaries).

"Adjusted Consolidated Funded Indebtedness" shall mean Consolidated Funded Indebtedness calculated with respect to the consolidated group comprised of the General Partner, the Master Partnership and the Company and its Subsidiaries (rather than with respect to the consolidated group comprised of the Company and its Subsidiaries).

"Administrative Agent" shall mean Bank of Oklahoma, National Association (as successor to The First National Bank of Boston), as administrative agent under the Credit Agreement, together with its successors as such Administrative Agent.

"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.

"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).

"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: (1) 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 (2) 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 need not establish cash reserves pursuant to clause (c) 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 such payment date in the next succeeding fiscal quarter, plus (C) 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 (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), in each case, to be used to refinance such amounts to the extent such amounts could be borrowed and remain outstanding under Sections 6A and 6B.

"Bankruptcy Law" shall have the meaning specified in clause (viii) of Section 7A.

"Bi-State" shall mean Bi-State Propane, a California general partnership.

"Business" shall mean the business of wholesale and retail sales, storage, transportation and distribution of propane gas; providing repair, installation and maintenance services for propane heating systems; the sale and distribution of propane-related supplies and equipment (including appliances); the generation, transportation, sale, distribution and marketing relating thereto of propane-powered fuel cells, or the power generated therefrom and equipment related thereto; and the marketing of natural gas to any then current propane user in such areas where the Company operates from time to time, provided, that, with respect to such marketing, the Company shall act only as a marketing agent for a natural gas utility and shall receive a fee or other compensation for such services provided.

"Business Day" shall mean any day other than a Saturday, a Sunday or a day on which commercial banks in New York City and Tulsa, Oklahoma are required or authorized to be closed.

"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 mean certificates representing shares of Capital Stock included in the Collateral and proper stock powers with respect thereto duly endorsed in blank.

"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 mean the Initial Closing or a Supplemental Closing.

"Closing Date" shall mean the Initial Closing Date or a Supplemental Closing Date.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Collateral" shall have the meaning specified in the Security Agreement; provided, however, that Collateral shall not include for any purpose under this Agreement or any other Financing Document any property subject to a Lien incurred pursuant to clause (i), (vii) or (viii) of Section 6C or any renewals of any such Lien pursuant to clause (xv) of Section 6C, unless the Indebtedness secured by such Lien shall have been paid or discharged.

"Collateral Agent" shall mean Wilmington Trust Company, in its capacity as Collateral Agent under the Intercreditor Agreement and under the Security Agreement (together with its successors as such in such capacities).

"Commission" shall mean the United States Securities and Exchange Commission.

"Common Units" shall mean common units representing a limited partnership interest in the Master Partnership and the Company on a combined basis.

"Company" shall have the meaning specified in the 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) and Section 6B(v) 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) and Section 6B(v)) 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, as of any date of determination for any applicable 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 determined (a) on the basis of 100% of that amount for the period of the four most recent fiscal quarters ending on or prior to the date of determination, or (b) 50% of that amount for the period of the eight most recent fiscal quarters ending on or prior to the date of determination, whichever is higher. 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, the 1996 Senior Secured Notes and the 1997 Senior Secured 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, as of any date of determination for any applicable 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 Expenses for purposes of clause (ii) of Section 6A, the applicable period for the determination thereof shall be the four most recent fiscal quarters ending on or prior to the date of determination. 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, as of 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 on the latest final maturity date applicable to any Series of Notes at the time outstanding, 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 such 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.

"Contracted Dollar" shall mean the sum of: (a) $50,000,000 (which is the aggregate principal amount permitted with respect to the Acquisition Facility and any Indebtedness incurred for any permitted purpose which replaces, extends, renews, refunds or refinances any such Indebtedness); and (b) $10,000,000 (which is the aggregate principal amount permitted with respect to Indebtedness owing to sellers in Asset Acquisitions (in addition to permitted Non-Compete Obligations)).

"Contribution Agreement" shall mean the Contribution Agreement, dated June 15, 2000, by and among U.S. Propane, the Company and the Master Partnership, as in effect on the Initial Closing Date.

"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, or

(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 Initial 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 Initial Closing) or related person constituting a group (as such term issued in Rule l3d-5 under the Exchange Act as in effect on the date of the Initial Closing) for units which would result in such person or group owning, directly or indirectly, more than 50% of the outstanding Units.

"Credit Agreement" shall mean the First Amended and Restated Credit Agreement dated as of May 31, 1999 among the Company, the agents listed therein 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.

"Credit Agreement Amendment" shall mean the Third Amendment to the First Amended and Restated Credit Agreement, dated the date hereof, among the Company, the agents listed therein and other banks parties thereto.

"Current Management" shall mean not less than any two of the following: James E. Bertelsmeyer, R.C. Mills, H. Michael Krimbill, Brad Atkinson, Larry Dagley, together with the heirs of, and trusts for the benefit of family members controlled by, any such executive manager.

"Debt Rating Event" shall mean, as of any date of determination, (i) that the Notes, the 1997 Senior Secured Notes or the 1996 Senior Secured Notes are rated less than BBB- by Fitch, Inc. (or comparably if such rating system is changed), and (ii) in the event that Fitch, Inc. shall no longer rate the Notes, the 1997 Senior Secured Notes or the 1996 Senior Secured Notes, that the Notes, the 1997 Senior Secured Notes or the 1996 Senior Secured Notes are no longer rated "2" or better by the National Association of Insurance Commissioners (NAIC).

"Designated Current Managers" shall mean R.C. Mills and H. Michael Krimbill, current executive officers of the General Partner, together with, in the case of either such executive officer, the heirs of, and trusts for the benefit of family members controlled by, such executive officer.

"Eligible Purchaser" shall mean any Initial Purchaser and such additional institutional investors which are identified in writing to the Purchasers on or prior to the Initial Closing Date and from time to time thereafter; provided that the aggregate number of Eligible Purchasers shall not at any time exceed ten.

"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.

"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 mean proper financing statements (whether Form UCC-1 or any other form that may be required by any jurisdiction) under the Uniform Commercial Code of such jurisdictions, as may be necessary, or, in the opinion of the Purchasers' special counsel, desirable to perfect the Liens created by the Security Agreement.

"Fourth Amendment Agreement" shall mean the Fourth Amendment Agreement, dated the date hereof, among the Company and the holders of the 1996 Senior Secured Notes and the 1997 Senior Secured Notes named in Schedule 1 thereto.

"GAAP" shall have the meaning specified in Section 10C.

"General Partner" shall mean Heritage (or, if applicable, U.S. Propane) in its capacity as general partner of the Company.

"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 mean Heritage Holdings, Inc., a Delaware corporation.

"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;

(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;

(1) 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.

"Initial Closing" shall have the meaning specified in Section 2A.

"Initial Closing Date" shall have the meaning specified in Section 2A.

"Initial Purchasers" shall have the meaning specified in the opening paragraph hereof.

"Initial Purchaser Schedule" shall mean the Initial Purchaser Schedule attached hereto.

"Intercreditor Agreement" shall mean the Intercreditor and Agency Agreement dated as of June 28, 1996 among the Administrative Agent, the purchasers listed on Schedule I attached thereto and the Collateral Agent, as amended, supplemented or otherwise modified from time to time.

"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 so long as such assets are all used in the Business). 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.

"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.

"Lock-Up Period" shall mean, with respect to any Designated Current Manager, the period from the date of the closing of the Proposed Reorganization to the earlier to occur of (x) the third anniversary of such closing, and (y) the first date on which such Designated Current Manager shall cease to be employed by the General Partner, the Master Partnership or any of their respective Affiliates.

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

"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 or (b) a material impairment of the ability of the Company to perform any of its obligations under the Financing Documents to which it is a party or the Notes or (c) a material adverse effect on the enforceability of any of the Financing Documents.

"Memorandum" shall mean the memorandum dated July, 2000, prepared by the Company for use in connection with its 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, the 1996 Senior Secured Notes, the 1997 Senior Secured Notes and amounts due under the Revolving Working Capital Facility or Acquisition Facility) secured by a Lien on the assets sold.

"1996 Senior Secured Notes" shall mean the 8.55% Senior Secured Notes due June 30, 2011 issued and outstanding under and pursuant to that certain Note Purchase Agreement dated as of June 25, 1996 among Heritage, the Company and the institutional investors listed therein, as amended or supplemented from time to time.

"1997 Senior Secured Notes" shall mean (a) the 7.17% Series A Senior Secured Notes due November 19, 2009, (b) the 7.26% Series B Senior Secured Notes due November 19, 2012, (c) the 6.50% Series C Senior Secured Notes due March 13, 2007, (d) the 6.59% Series D Senior Secured Notes due March 13, 2010 and (e) the 6.67% Series E Senior Secured Notes due March 13, 2013, in each case, as issued and outstanding under and pursuant to that certain Note Purchase Agreement dated as of November 19, 1997 among the Company and the institutional investors listed therein, as amended or supplemented from time to time.

"Non-Accepting Holders" shall have the meaning specified in Section 4D(i).

"Non-Compete Obligations" shall have the meaning specified in Section 6C(viii).

"Notes" shall have the meaning specified in Section 1.

"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 Company, a certificate executed on behalf of the Master Partnership or the Company, 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.

"Parity Debt" shall mean (a) Indebtedness of the Company incurred in accordance with clauses (i), (ii) and (iii) of Section 6B and (b) Additional Parity Debt.

"Parity Debt Designation" shall mean the Additional Parity Debt Agreement Designation(s) provided pursuant to Section 6 of the Intercreditor Agreement with respect to the Notes.

"Partnership Agreement" shall mean the Agreement of Limited Partnership of the Company as in effect on the Initial 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 Initial 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, 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(f) 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 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 (xv) of Section 6C.

"Property" shall mean any interest in any kind of property or asset whether real, personal, or mixed, or tangible or intangible.

"Proposed Reorganization" shall have the meaning set forth in the introductory portion of the Third Amendment Agreement, dated as of May 31, 2000, with respect to that certain Note Purchase Agreement dated as of June 25, 1996 among Heritage, the Company and the institutional investors listed therein and that certain Note Purchase Agreement dated as of November 19, 1997 among the Company and the institutional investors listed therein.

"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 8T.

"Purchaser Schedules" shall mean the Initial Purchaser Schedule and the Supplemental Purchaser Schedules.

Purchasers" shall mean the Initial Purchasers and the Supplemental Purchasers.

"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.

"Required Holder(s)" shall mean the holder or holders of at least 51% of the aggregate principal amount of the Notes, without regard to Series, 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.

"Revolving Working Capital Facility" shall mean the $50,000,000 revolving credit facility of the Company provided for in the Credit Agreement for working capital and other general partnership purposes not to exceed $50,000,000 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 Subsidiary or between Wholly-Owned 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 mean the Security Agreement dated as of June 28, 1996 among Heritage, the Company and the Collateral Agent, as amended, supplemented or otherwise modified from time to time.

"Security Documents" shall mean the Security Agreement, the Certificates and Stock Powers and the Financing Statements.

"Series" shall have the meaning specified in Section 1.

"Series A Notes" shall have the meaning specified in Section 1A(i).

"Series A-F Notes" shall have the meaning specified in Section 1A(vi).

"Series B Notes" shall have the meaning specified in Section 1A(ii).

"Series C Notes" shall have the meaning specified in Section 1A(iii).

"Series D Notes" shall have the meaning specified in Section 1A(iv).

"Series E Notes" shall have the meaning specified in Section 1A(v).

"Series F Notes" shall have the meaning specified in Section 1A(vi).

"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.

"Specified Entities" shall mean any one or more of the following entities: (i) Atmos Energy Corporation, a Texas and Virginia corporation, (ii) Piedmont Natural Gas Company, Inc., a North Carolina corporation, (iii) AGL Resources, Inc., a Georgia corporation, and (iv) TECO Energy, Inc., a Florida corporation, or a Successor to any entity referred to in clause (i), (ii), (iii) or (iv) of this definition.

"Subordinated Units" shall mean subordinated units representing all of the limited partnership interest in the Master Partnership not represented by Common Units.

"Subsequent Notes" shall have the meaning specified in Section 1B.

"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.

"Successor" shall mean, with respect to a Specified Entity, any entity in which the holders of the Capital Stock of such Specified Entity outstanding immediately prior to a consolidation, acquisition or merger involving such Specified Entity hold, directly or indirectly through Wholly-Owned Subsidiaries, at least a majority of the Capital Stock immediately after such consolidation, acquisition or merger.

"Supplemental Closing" shall have the meaning specified in Section 2B.

"Supplemental Closing Date" shall have the meaning specified in Section 2B.

"Supplemental Note Purchase Agreement" shall have the meaning specified in Section 2B.

"Supplemental Purchasers" shall have the meaning specified in Section 2B.

"Supplemental Purchaser Schedule" shall mean the schedule of purchasers of any Series of Subsequent Notes which is attached to the Supplemental Note Purchase Agreement relating to such Series.

"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.

"Transferee" shall mean any direct or indirect transferee of all or any part of any Note purchased by any Purchaser under this Agreement.

"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.

"U.S. Propane" shall mean U.S. Propane L.P., a Delaware limited partnership.

"U.S. Propane Acquisition" shall mean the acquisition by the Company of certain Subsidiaries of U.S. Propane in accordance with the Contribution Agreement and the other transactions contemplated thereby.

"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.

Section 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 (b)(i) 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 Funded 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.

SECTION 11. MISCELLANEOUS.

Section 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 to a Supplemental Note Purchase Agreement, 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.

Section 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 3I and (i) all document production and duplication charges and the fees and expenses (including those incurred after any 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 or 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.

Section 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 and affected thereby, 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 and, without limiting the generality of the foregoing, shall include all Supplemental Note Purchase Agreements.

(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.

Section 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 the same Series and otherwise 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 the same Series and otherwise 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.

Section 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.

Section 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 (including any Supplemental Note Purchase 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.

Section 11G. Successors and Assigns. All covenants and other agreements in this Agreement (including any Supplemental Note Purchase 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.

Section 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.

Section 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 to a Supplemental Note Purchase Agreement, 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, to Heritage Operating, L.P., 8801 South Yale Avenue, Suite 310, Tulsa, Oklahoma 74137, Attention: Chief Financial Officer, telephone no.: (918) 492-7272; facsimile no.: (918) 493-7290, or at such other address (or telephone or facsimile number) as the Company shall have specified to the holder of each Note in writing.

Section 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.

Section 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.

Section 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.

Section 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.

Section 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.

Section 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.

Section 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.

Section 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.

Section 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.

The execution hereof by the Initial Purchasers shall constitute a contract among the Company and the Initial Purchasers for the uses and purposes hereinabove set forth.

HERITAGE OPERATING, L.P.

By Heritage Holdings, Inc., General Partner

By

Its

Accepted as of August 10, 2000

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

JOHN HANCOCK LIFE INSURANCE COMPANY

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

MELLON BANK, N.A., solely in its capacity as Trustee for the Bell Atlantic Master Trust (as directed by John Hancock Life Insurance Company), and not in its individual capacity

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

MELLON BANK, N.A., solely in its capacity as Trustee for the Long-Term Investment Trust (as directed by John Hancock Life Insurance Company), and not in its individual capacity

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

By: CIGNA Investments, Inc. (authorized agent)

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

LIFE INSURANCE COMPANY OF NORTH AMERICA

By: CIGNA Investments, Inc. (authorized agent)

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

CLARICA LIFE INSURANCE COMPANY-U.S.

By:

Name:
Title:

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

GE EDISON LIFE INSURANCE COMPANY

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

METROPOLITAN LIFE INSURANCE COMPANY

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

NATIONWIDE LIFE INSURANCE COMPANY

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

NATIONWIDE MUTUAL FIRE INSURANCE COMPANY

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

NATIONWIDE MUTUAL INSURANCE COMPANY

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

PACIFIC LIFE INSURANCE COMPANY

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

PRINCIPAL LIFE INSURANCE COMPANY

By: Principal Capital Management, LLC
a Delaware limited liability company
its authorized signatory

By:

Name:
Title:

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

COMMERCIAL UNION LIFE INSURANCE COMPANY OF AMERICA

By: Principal Capital Management, LLC
a Delaware limited liability company
its authorized signatory

By:

Name:
Title:

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

RELIASTAR LIFE INSURANCE COMPANY

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

NORTHERN LIFE INSURANCE COMPANY

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

SUN LIFE ASSURANCE COMPANY OF CANADA

By:

Name:
Title:

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

SUN LIFE INSURANCE AND ANNUITY COMPANY OF NEW YORK

By:

Name:
Title:

By:

Name:
Title:

SIGNATURE PAGE TO THE NOTE PURCHASE AGREEMENT

The foregoing Agreement is
hereby accepted as of the
date first above written.

SUN LIFE ASSURANCE COMPANY OF CANADA (U.S.)

By:

Name:
Title:

By:

Name:
Title:

INITIAL PURCHASER SCHEDULE

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
JOHN HANCOCK LIFE INSURANCE COMPANY	SERIES	PRINCIPAL AMOUNT
	RHF-1 (General Account)	$25,000,000
	RHF-2 (Closed Block)	$ 3,000,000

(1) All payments on account of the Notes or other obligations in accordance with the provisions thereof shall be made by bank wire transfer of immediately available funds for credit, not later than 12 noon, Boston time, to:

BankBoston
ABA No. 011000390
Boston, Massachusetts 02110
Account of: John Hancock Life Insurance Company
Private Placement Collection Account
Account No.: 541-55417
On Order of: Heritage Operating, L.P.
PPN Number:
[Full name, interest rate and maturity date of the Notes or other obligations]

(2) Contemporaneous with the above wire transfer, advice setting forth:

(a) the full name, interest rate and maturity date of the Notes or other obligations;

(b) allocation of payment between principal and interest and any special payment; and

(c) name and address of Bank (or Trustee) from which wire transfer was sent shall be delivered or faxed AND mailed to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Manager, Investment Accounting
Division B-3
Fax: (617) 572-0628

(3) All notices with respect to prepayments, both scheduled and unscheduled, whether partial or in full, and notice of maturity shall be delivered or faxed AND mailed to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Manager, Investment Accounting
Division B-3
Fax: (617) 572-0628

and:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Investment Law Division, T-50
Fax: (617) 572-9269

(4) All other communications which shall include, but not be limited to, financial statements and certificates of compliance with financial covenants, shall be delivered or faxed AND mailed to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Bond and Corporate Finance Group, T-57
Fax: (617) 572-1605

(5) A copy of any notices relating to change in issuer's name, address or principal place of business or location of collateral and a copy of any legal opinions shall be delivered or faxed AND mailed to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Investment Law Division, T-50
Fax: (617) 572-9269

(6) Tax I.D. No.: 04-1414660

(7) All Notes are to be sent for receipt the day after the closing to:

Amy S. Weed, Esq.
John Hancock Financial Services, Inc.
Investment Law
John Hancock Place
200 Clarendon Street
Boston, Massachusetts 02117

(8) Promptly after the closing (but no later than one week thereafter), one (1) fully executed original counterpart of the Purchase Agreement (i.e. Note Purchase Agreement, Securities Purchase Agreement, Loan Agreement, Participation Agreement, etc.) is to be sent to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Investment Law Paralegal Unit, T-50,
Gina Hudson

(9) Regardless of the number of Hancock and/or advisory accounts involved in this transaction, promptly after the closing (but no later than 2 months thereafter) we require one (1) set of original closing documents AND five (5) sets of conformed copies of the principal operative documents are to be sent to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Investment Law Paralegal Unit, T-50,
Gina Hudson

Please note original closing documents are to contain copies or original acknowledgement copies where John Hancock is the secured party of record of all filed and recorded UCC filings showing the filing and recording information. In addition, where there are more than five (5) UCC filings, a summary memo setting forth the filing and recording information should also be provided.

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
	SERIES	PRINCIPAL AMOUNT
JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY	RHF-3	$1,000,000

(1) All payments on account of the Notes or other obligations in accordance with the provisions thereof shall be made by bank wire transfer of immediately available funds for credit, not later than 12 noon, Boston time, to:

BankBoston
ABA No. 011000390
Boston, Massachusetts 02110
Account of: John Hancock Life Insurance Company
Private Placement Collection Account
Account No.: 541-55417
On Order of: Heritage Operating, L.P.
PPN Number:
[Full name, interest rate and maturity date of the Notes or other obligations]

(2) Contemporaneous with the above wire transfer, advice setting forth:

(a) the full name, interest rate and maturity date of the Notes or other obligations;

(b) allocation of payment between principal and interest and any special payment; and

(c) name and address of Bank (or Trustee) from which wire transfer was sent shall be delivered or faxed AND mailed to:

John Hancock Variable Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Manager, Investment Accounting
Division B-3
Fax: (617) 572-0628

(3) All notices with respect to prepayments, both scheduled and unscheduled, whether partial or in full, and notice of maturity shall be delivered or faxed AND mailed to:

John Hancock Variable Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Manager, Investment Accounting
Division B-3
Fax: (617) 572-0628

and:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Investment Law Division, T-50
Fax: (617) 572-9269

(4) All other communications which shall include, but not be limited to, financial statements and certificates of compliance with financial covenants, shall be delivered or faxed AND mailed to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Bond and Corporate Finance Group, T-57
Fax: (617) 572-1605

(5) A copy of any notices relating to change in issuer's name, address or principal place of business or location of collateral and a copy of any legal opinions shall be delivered or faxed AND mailed to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Investment Law Division, T-50
Fax: (617) 572-9269

(6) Tax I.D. No.: 04-2664016

(7) All Notes are to be sent for receipt the day after the closing to:

Amy S. Weed, Esq.
John Hancock Financial Services, Inc.
Investment Law
John Hancock Place
200 Clarendon Street
Boston, Massachusetts 02117

(8) Promptly after the closing (but no later than one week thereafter), one (1) fully executed original counterpart of the Purchase Agreement (i.e. Note Purchase Agreement, Securities Purchase Agreement, Loan Agreement, Participation Agreement, etc.) is to be sent to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Investment Law Paralegal Unit, T-50,
Gina Hudson

(9) Regardless of the number of Hancock and/or advisory accounts involved in this transaction, promptly after the closing (but no later than 2 months thereafter) we require one (1) set of original closing documents AND five (5) sets of conformed copies of the principal operative documents are to be sent to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Investment Law Paralegal Unit, T-50,
Gina Hudson

Please note original closing documents are to contain copies or original acknowledgement copies where John Hancock is the secured party of record of all filed and recorded UCC filings showing the filing and recording information. In addition, where there are more than five (5) UCC filings, a summary memo setting forth the filing and recording information should also be provided.

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
MELLON BANK, N.A., TRUSTEE FOR THE BELL ATLANTIC MASTER TRUST	SERIES	PRINCIPAL AMOUNT
	RHF-4	$2,000,000

(1) All payments on account of the Notes or other obligations in accordance with the provisions thereof shall be made by bank wire transfer of immediately available funds for credit, not later than 12 noon, Boston time, to:

Federal Reserve Bank of Boston
A/C Boston Safe Deposit and Trust Company
ABA No. 011001234
DDA: 125261
Reference: Bell Atlantic Master Trust:
NYXF 1783332
[Full name, interest rate and maturity date of the Notes or other obligations]

(2) Contemporaneous with the above wire transfer, advice setting forth:

(a) the full name, interest rate and maturity date of the Notes or other obligations;

(b) allocation of payment between principal, interest and any special payment; and

(c) name and address of Bank (or Trustee) from which wire transfer was sent, shall be delivered or faxed AND mailed to:

Mellon Bank, N.A.
Three Mellon Bank Center, Room 153-3610
Pittsburgh, Pennsylvania 15259-0001
Attention: Principal & Interest Unit
Fax: (412) 236-0120

(3) All notices with respect to prepayments, both scheduled and unscheduled, whether partial or in full, and notice of maturity shall be delivered or faxed AND mailed to:

Mellon Bank, N.A.
Three Mellon Bank Center, Room 153-3610
Pittsburgh, Pennsylvania 15259-0001
Attention: Principal & Interest Unit
Fax: (412) 236-0120

with a copy to:

Mellon Bank, N.A.
One Mellon Bank Center, Room 3346
Pittsburgh, Pennsylvania 15258
Attention: Fran Walton
Fax: (412) 236-4225

(4) All other communications shall be delivered or faxed AND mailed to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Scott Hartz, Bond and Corporate Finance Group, T-57
Fax: (617) 572-9269

with a copy to:

Mellon Bank, N.A.
One Mellon Bank Center, Room 151-1935
Pittsburgh, Pennsylvania 15258
Attention: Bernadette T. Rist
Fax: (412) 234-0555

(5) A copy of any notices relating to change in issuer's name, address or principal place of business or location of collateral and a copy of any legal opinions shall be delivered or faxed AND mailed to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Investment Law Division, T-50
Fax: (617) 572-9269

(6) Tax I.D. No.: 25-1448208

(7) All Notes are to be sent the day after the closing to:

Mellon Securities Trust Company
120 Broadway - 13th Floor Teller Window
New York, New York 10271
Attention: Robert A. Ferraro
Ref.: Bell Atlantic Master Trust
Account No. NYXF 1783332

(8) Promptly after the closing (but no later than one week thereafter), one (1) fully executed original counterpart of the Purchase Agreement (i.e. Note Purchase Agreement, Securities Purchase Agreement, Loan Agreement, Participation Agreement, etc.) is to be sent to:

Mellon Bank, N.A.
One Mellon Bank Center, Room 151-1935
Pittsburgh, Pennsylvania 15258
Attention: Bernadette T. Rist

(9) Promptly after closing (but no later than 2 months thereafter), one (1) set of original closing documents and four (4) sets of conformed copies of the principal operative documents are to be sent to:

Mellon Bank, N.A.
One Mellon Bank Center, Room 151-1935
Pittsburgh, Pennsylvania 15258
Attention: Bernadette T. Rist

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
	SERIES	PRINCIPAL AMOUNT
MELLON BANK, N.A., TRUSTEE UNDER THE LONG-TERM INVESTMENT TRUST DATED OCTOBER 1, 1996	RHF-5	$2,000,000

(1) All payments on account of the Notes or other obligations in accordance with the provisions thereof shall be made by bank wire transfer of immediately available funds for credit, not later than 12 noon, Boston time, to:

Federal Reserve Bank of Boston
A/C Boston Safe Deposit & Trust Company
ABA No. 011001234
DDA: 125261
Reference: ATTF 1791682
[Full name, interest rate and maturity date of the Notes or other obligations]

(2) Contemporaneous with the above wire transfer, advice setting forth:

(a) the full name, interest rate and maturity date of the Notes or other obligations;

(b) allocation of payment between principal and interest and any special payment; and

(c) name and address of Bank (or Trustee) from which wire transfer was sent, shall be delivered or faxed AND mailed to:

Mellon Bank, N.A.
Three Mellon Bank Center, Room 153-3610
Pittsburgh, Pennsylvania 15259-0001
Attention: Principal & Interest Unit
Fax: (412) 236-0120

(3) All notices with respect to prepayments, both scheduled and unscheduled, whether partial or in full, and notice of maturity shall be delivered or faxed AND mailed to:

Mellon Bank, N.A.
Three Mellon Bank Center, Room 153-3610
Pittsburgh, Pennsylvania 15259-0001
Attention: Principal & Interest Unit
Fax: (412) 236-0120

(4) All other communications shall be delivered or faxed AND mailed to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Scott Hartz, Bond and Corporate Finance Group, T-57
Fax: (617) 572-1605

with a copy to:

Mellon Bank, N.A.
One Mellon Bank Center, Room 151-1935
Pittsburgh, Pennsylvania 15258
Attention: Bernadette T. Rist
Fax: (412) 234-0555

(5) A copy of any notices relating to change in issuer's name, address or principal place of business or location of collateral and a copy of any legal opinions shall be delivered or faxed AND mailed to:

John Hancock Life Insurance Company
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Investment Law Division, T-50
Fax: (617) 572-9269

(6) Tax I.D. No.: 13-3187026

(7) All Notes are to be sent the day after the closing to:

Mellon Securities Trust Company
120 Broadway - 13th Floor Teller Window
New York, New York 10271
Attention: Robert A. Ferraro
Ref.: The Long-Term Investment Trust
Account No. ATTF 1791682

(8) Promptly after the closing (but no later than one week thereafter), one (1) fully executed original counterpart of the Purchase Agreement (i.e. Note Purchase Agreement, Securities Purchase Agreement, Loan Agreement, Participation Agreement, etc.) is to be sent to:

Mellon Bank, N.A.
One Mellon Bank Center, Room 151-1935
Pittsburgh, Pennsylvania 15258
Attention: Bernadette T. Rist

(9) Promptly after closing (but no later than 2 months thereafter), one (1) set of original closing documents and four (4) sets of conformed copies of the principal operative documents are to be sent to:

Mellon Bank, N.A.
One Mellon Bank Center, Room 151-1935
Pittsburgh, Pennsylvania 15258
Attention: Bernadette T. Rist

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
CLARICA LIFE INSURANCE COMPANY-U.S.	SERIES	PRINCIPAL AMOUNT
	RHA-1	$3,000,000

(1) All payments on account of the Notes shall be made by wire or intrabank transfer of immediately available funds to:

Wells Fargo Bank Minnesota, N.A.
ABA No. 091000019
Beneficiary Account No. 0000840245
Beneficiary Account Name: Trust Wire Clearing
OBI FCC: I.C. 12250600 Heritage Operating, L.P.
PPN:
P=
I=
End Balance=

(2) All notices in respect of payment shall be delivered to:

Clarica Life Insurance Company-U.S.
c/o Clarica U.S. Inc.
Attention: Connie Keller
13890 Bishops Drive, Suite 300
Brookfield, Wisconsin 53005
Tel.: (262) 641-4022
Fax: (262) 641-4055

(3) All other communications shall be delivered to:

Clarica Life Insurance Company-U.S.
c/o Clarica U.S. Inc.
Attention: Connie Keller
13890 Bishops Drive, Suite 300
Brookfield, Wisconsin 53005
Tel.: (262) 641-4022
Fax: (262) 641-4055

(4) Tax I.D. No.: 45-0208990

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
	SERIES	PRINCIPAL AMOUNT
CONNECTICUT GENERAL LIFE INSURANCE COMPANY (NOMINEE IS CIG & CO.)	RHB-1	$1,000,000
	RHB-2	$500,000
	RHB-3	$3,500,000
	RHD-1	$3,300,000
	RHD-2	$3,000,000

(1) All payments on or in respect of the Notes to be made by bank wire transfer of Federal or other immediately available funds to:

The Chase Manhattan Bank
Chase NYC/CTR/
BNF=CIGNA Private Placements/AC=9009001802
ABA#: 021000021

OBI=[name of company; description of security; interest rate; maturity date; PPN; due date and application (as among principal, premium and interest of the payment being made); contact name and phone.]

(2) Address for Notices Related to Payments:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Securities Processing S-309
900 Cottage Grove Road
Hartford, Connecticut 06152-2309

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Private Securities S-307
Operations Group
900 Cottage Grove Road
Hartford, Connecticut 06152-2307
Fax: (860) 726-7203

with a copy to:

The Chase Manhattan Bank
Private Placement Servicing
P.O. Box 1508
Bowling Green Station
New York, New York 10081
Attention: CIGNA Private Placements
Fax: (212) 552-3107/1005

(3) Address for All Other Notices:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Private Securities Division S-307
900 Cottage Grove Road
Hartford, Connecticut 06152-2307
Fax: (860) 726-7203

(4) Tax I.D. No.: 13-3574027

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
LIFE INSURANCE COMPANY OF NORTH AMERICA (NOMINEE IS CIG & CO.)	SERIES	PRINCIPAL AMOUNT
	RHD-3	$3,200,000

(1) All payments on or in respect of the Notes to be made by bank wire transfer of Federal or other immediately available funds to:

The Chase Manhattan Bank
Chase NYC/CTR/
BNF=CIGNA Private Placements/AC=9009001802
ABA#: 021000021

OBI=[name of company; description of security; interest rate; maturity date; PPN; due date and application (as among principal, premium and interest of the payment being made); contact name and phone.]

(2) Address for Notices Related to Payments:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Securities Processing S-309
900 Cottage Grove Road
Hartford, Connecticut 06152-2309

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Private Securities S-307
Operations Group
900 Cottage Grove Road
Hartford, Connecticut 06152-2307
Fax: (860) 726-7203

with a copy to:

The Chase Manhattan Bank
Private Placement Servicing
P.O. Box 1508
Bowling Green Station
New York, New York 10081
Attention: CIGNA Private Placements
Fax: (212) 552-3107/1005

(3) Address for All Other Notices:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Private Securities Division S-307
900 Cottage Grove Road
Hartford, Connecticut 06152-2307
Fax: (860) 726-7203

(4) Tax I.D. No.: 13-3574027

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
	SERIES	PRINCIPAL AMOUNT
GE EDISON LIFE INSURANCE COMPANY (NOMINEE IS SALKELD & CO.)	RHC	$27,000,000

(1) All payments on or in respect of the Notes to be made by bank wire transfer of Federal or other immediately available funds to:

Bankers Trust Company
14 Wall Street
New York, New York 10005
SWIFT Code: BKTR US 33
ABA No. 021001033
Account No.: 99-911-145
FCC No: 098620
Reference: security description, coupon, maturity, PPN #, identify principal or interest.

(2) Physical Delivery of the Notes:

Bankers Trust Company
14 Wall Street, 4th Floor
Mail Stop 4042, Window 61
New York, New York 10005
Account No. 098620
Attention: Lorraine Squires (212) 618-2200

(3) All notices with respect to payments and written confirmation of each such payment to be addressed as follows:

GE Financial Assurance
Account: GE Edison Life Insurance Company
Two Union Square
601 Union Street
Seattle, Washington 98101
Attention: Investment Accounting
Tel.: (206) 516-2871
Fax: (206) 516-4740

(4) All other notices and communications, including original note purchase agreement, conformed copy of the note agreement, amendment requests, and financial statements, to be addressed as follows::

GE Financial Assurance
Account: GE Edison Life Insurance Company
Two Union Square
601 Union Street
Seattle, Washington 98101
Attention: Investment Dept., Private Placements
Tel.: (206) 516-4954
Fax: (206) 516-4863

(5) Tax I.D. No.: N/A

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA (NOMINEE IS CUDD & CO.)	SERIES	PRINCIPAL AMOUNT
	RHB-4	$7,000,000
	RHD-4	$7,500,000

(1) All payments on or in respect of the Notes to be made by bank wire transfer of Federal or other immediately available funds to:

The Chase Manhattan Bank
FED ABA No. 021000021
CHASE/NYC/CTR/BNF
A/C: 900-9-000200
Reference A/C #G05978, Guardian Life, and the name and CUSIP for which payment is being made.

(2) Deliver Notes to:

The Chase Manhattan Bank
4 New York Plaza - 11th Floor
New York, New York 10004
Attention: Zion Yu
(212) 623-3594
Reference A/C #G05978, Guardian Life

(3) All notices relating to payments to:

The Guardian Life Insurance Company of America
Attention: Investment Accounting Department 17-B
7 Hanover Square
New York, New York 10004-2616
Fax: (212) 598-7011

(4) All other communications and notices to:

The Guardian Life Insurance Company of America
7 Hanover Square
New York, New York 10004-2616
Attention: Thomas M. Donohue
Investment Department 20-D
Fax: (212) 919-2656/2658

(5) Tax I.D. No.: 13-6022143

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
METROPOLITAN LIFE INSURANCE COMPANY	SERIES	PRINCIPAL AMOUNT
	RHD-5	$30,000,000

(1) All payments on or in respect of the Notes to be made by bank wire transfer of Federal or other immediately available funds to:

The Chase Manhattan Bank
ABA No. 021000021
Acct. Name: Metropolitan Life Insurance Company
Acct. No. 002-2-410591
With sufficient information to identify the source and application of such funds.

(2) Delivery of Notes after Closing:

Metropolitan Life Insurance Company
One Madison Avenue, Area 6H
New York, New York 10010
Attention: Richard Clarke, Esq.

(3) All notices and communications to:

Metropolitan Life Insurance Company
334 Madison Avenue
P.O. Box 633
Convent Station, New Jersey 07961
Attention: Private Placements Unit
Fax: (973) 254-3032

(4) Tax I.D. No.: 13-5581829

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
	SERIES	PRINCIPAL AMOUNT
NATIONWIDE LIFE INSURANCE COMPANY	RHA-2	$5,000,000

(1) All payments on or in respect of the Notes to be made by bank wire transfer of Federal or other immediately available funds to:

The Bank of New York
ABA No. 021-000-018
BNF: IOC566
F/A/O Nationwide Life Insurance Company
Attention: P & I Department
PPN #:
Security Description:

(2) Delivery of Notes to:

The Bank of New York
One Wall Street
3rd Floor - Window A
New York, New York 10286
F/A/O Nationwide Life Insurance Company
Account No. 267829

(3) All notices of payments on or in respect to the Notes should be sent to:

Nationwide Life Insurance Company
c/o The Bank of New York
P.O. Box 19266
Attention: P & I Department
Newark, New Jersey 07195

with a copy to:

Nationwide Life Insurance Company
Attention: Investment Accounting
One Nationwide Plaza (1-32-05)
Columbus, Ohio 43215-2220

(4) All other notices and communications to:

Nationwide Life Insurance Company
One Nationwide Plaza (1-33-07)
Columbus, Ohio 43215-2220
Attention: Corporate Fixed-Income Securities

(5) Tax I.D. No.: 31-4156830

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
NATIONWIDE LIFE AND ANNUITY INSURANCE COMPANY	SERIES	PRINCIPAL AMOUNT
	RHA-3	$1,000,000

(1) All payments on or in respect of the Notes to be made by bank wire transfer of Federal or other immediately available funds to:

The Bank of New York
ABA No. 021-000-018
BNF: IOC566
F/A/O Nationwide Life and Annuity Insurance Company
Attention: P & I Department
PPN #:
Security Description:

(2) Delivery of Notes to:

The Bank of New York
One Wall Street
3rd Floor - Window A
New York, New York 10286
F/A/O Nationwide Life and Annuity Insurance Company Account No. 267961

(3) All notices of payments on or in respect to the Notes should be sent to:

Nationwide Life and Annuity Insurance Company
c/o The Bank of New York
P.O. Box 19266
Attention: P & I Department
Newark, New Jersey 07195

with a copy to:

Nationwide Life and Annuity Insurance Company
Attention: Investment Accounting
One Nationwide Plaza (1-32-05)
Columbus, Ohio 43215-2220

(4) All other notices and communications to:

Nationwide Life and Annuity Insurance Company
One Nationwide Plaza (1-33-07)
Columbus, Ohio 43215-2220
Attention: Corporate Fixed-Income Securities

(5) Tax I.D. No.: 31-1000740

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
	SERIES	PRINCIPAL AMOUNT
NATIONWIDE MUTUAL FIRE INSURANCE COMPANY	RHA-4	$2,000,000

(1) All payments on or in respect of the Notes to be made by bank wire transfer of Federal or other immediately available funds to:

The Bank of New York
ABA No. 021-000-018
BNF: IOC566
F/A/O Nationwide Mutual Fire Insurance Company
Attention: P & I Department
PPN #:
Security Description:

(2) Delivery of Notes to:

The Bank of New York
One Wall Street
3rd Floor - Window A
New York, New York 10286
F/A/O Nationwide Mutual Fire Insurance
Company Account No. 267966

(3) All notices of payments on or in respect to the Notes should be sent to:

Nationwide Mutual Fire Insurance Company
c/o The Bank of New York
P.O. Box 19266
Attention: P & I Department
Newark, New Jersey 07195

with a copy to:

Nationwide Mutual Fire Insurance Company
Attention: Investment Accounting
One Nationwide Plaza (1-32-05)
Columbus, Ohio 43215-2220

(4) All other notices and communications to:

Nationwide Mutual Fire Insurance Company
One Nationwide Plaza (1-33-07)
Columbus, Ohio 43215-2220
Attention: Corporate Fixed-Income Securities

(5) Tax I.D. No.: 31-4177110

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
NATIONWIDE MUTUAL INSURANCE COMPANY	SERIES	PRINCIPAL AMOUNT
	RHA-5	$2,000,000

(1) All payments on or in respect of the Notes to be made by bank wire transfer of Federal or other immediately available funds to:

The Bank of New York
ABA No. 021-000-018
BNF: IOC566
F/A/O Nationwide Mutual Insurance Company
Attention: P & I Department
PPN #:
Security Description:

(2) Delivery of Notes to:

The Bank of New York
One Wall Street
3rd Floor - Window A
New York, New York 10286
F/A/O Nationwide Mutual Insurance Company
Account No. 264232

(3) All notices of payments on or in respect to the Notes should be sent to:

Nationwide Mutual Insurance Company
c/o The Bank of New York
P.O. Box 19266
Attention: P & I Department
Newark, New Jersey 07195

with a copy to:

Nationwide Mutual Insurance Company
Attention: Investment Accounting
One Nationwide Plaza (1-32-05)
Columbus, Ohio 43215-2220

(4) All other notices and communications to:

Nationwide Mutual Insurance Company
One Nationwide Plaza (1-33-07)
Columbus, Ohio 43215-2220
Attention: Corporate Fixed-Income Securities

(5) Tax I.D. No.: 31-4177100

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
	SERIES	PRINCIPAL AMOUNT
PACIFIC LIFE INSURANCE COMPANY (NOMINEE MAC & CO.)		
(1) For payment of principal and interest: Federal Reserve Bank of Boston ABA No.: 0110-0123-4/BOS SAFE DEP DDA: 125261 Attention: MBS Income CC: 1253 A/C Name: Pacific Life General Account/ PLCF1810132 Regarding: Security Description & PPN	RHB-5	$15,000,000
(2) For Physical Delivery of Certificates: Mellon Securities Trust Company 120 Broadway, 13th Floor New York, New York 10271 Attention: Robert Feraro (212) 374-1918 A/C Name: Pacific Life General Account A/C#: PLCF1810132		
(3) All notices of payments and written confirmation of such wire transfers to: Mellon Trust Attention: Pacific Life Accounting Team One Mellon Bank Center Room 0930 Pittsburgh, Pennsylvania 15258-0001 and: Pacific Life Insurance Company Attention: Securities Administration - Cash Team 700 Newport Center Drive Newport Beach, California 92660-6397		

(4) All other communications shall be addressed to:

Pacific Life Insurance Company
Attention: Securities Department
700 Newport Center Drive
Newport Beach, California 92660-6397

(5) Tax I.D. No.: 95-1079000

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
	SERIES	PRINCIPAL AMOUNT
COMMERCIAL UNION LIFE INSURANCE COMPANY OF AMERICA	RHD-6	$2,000,000

(1) All payments with respect to the Notes are to be made by bank wire transfer of immediately available funds to:

Mellon Bank (Boston Safe Deposit)
ABA No. 011001234
DDA#: 048771
FFC: CU Life Insurance Co/Principal Financial
FFC AC#: GAIF1309002
With sufficient information (including interest rate, maturity date, interest amount, principal amount, and premium amount, if applicable) to identify the source and application of such funds.

(2) Upon closing, deliver Notes to:

Commercial Union Life Insurance Company of America
c/o Principal Capital Management, LLC
801 Grand Avenue
Des Moines, Iowa 50392-0301
Attention: Jon Heiny, Esq.

(3) All notices with respect to payment on the Notes should be sent to:

Commercial Union Life Insurance Company of America
c/o Principal Capital Management, LLC
Des Moines, Iowa 50392-0960
Attention: Investment Accounting - Securities
Fax: (515) 248-2643
Confirmation: (515) 247-0689

(4) All notices with respect to the Notes, except with respect to payment, should be sent to:

Commercial Union Life Insurance Company of America
c/o Principal Capital Management, LLC
801 Grand Avenue
Des Moines, Iowa 50392-0800
Attention: Investment Department - Securities
Fax: (515) 248-2490
Confirmation: (515) 248-3495

(5) Tax I.D. No.: 04-2235236

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
PRINCIPAL LIFE INSURANCE COMPANY	SERIES	PRINCIPAL AMOUNT
	RHD-7	$5,000,000
	RHE-1	$7,000,000

(1) All payments with respect to the Notes are to be made by bank wire transfer of immediately available funds to:

Wells Fargo Bank Iowa, N.A.
7th & Walnut Streets
Des Moines, Iowa 50309
ABA No. 073000228
For credit to Principal Life Insurance Company
Account No.: 0000014752

For the $5,000,000 Series D Note:
Reference: OBI PFGSE (S) B0063067()

For the $7,000,000 Series E Note:
Reference: OBI PFGSE (S) B0063068()

All wire transfers must be accompanied with sufficient information (including interest rate, maturity date, interest amount, principal amount, and premium amount, if applicable) to identify the source and application of such funds.

(2) Upon closing, deliver Notes to:

Principal Capital Management, LLC
801 Grand Avenue
Des Moines, Iowa 50392-0301
Attention: Jon Heiny, Esq.

(3) All notices with respect to payments on the Notes should be sent to:

Principal Capital Management, LLC
Des Moines, Iowa 50392-0960
Attention: Investment Accounting - Securities
Fax: (515) 248-2643
Confirmation: (515) 247-0689

(4) All notices with respect to the Notes, except with respect to payment, should be sent to:

Principal Capital Management, LLC
801 Grand Avenue
Des Moines, Iowa 50392-0800
Attention: Investment Department - Securities
Fax: (515) 248-2490
Confirmation: (515) 248-3495

(5) Tax I.D. No.: 42-0127290

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
	SERIES	PRINCIPAL AMOUNT
RELIASTAR LIFE INSURANCE COMPANY	RHB-6	$2,000,000

(1) All payments on or in respect of the Notes to be made by bank wire transfer of Federal or other immediately available funds to:

BK of NYC
IOC 566-INST'L CUSTODY
Bank ABA No.: 021000018
Acct. #: 187035
Acct. Name: ReliaStar Life Insurance Company
Reference CUSIP, Name & Maturity

(2) Upon closing, deliver Notes to:

ReliaStar Investment Research, Inc.
100 Washington Avenue South, Suite 800
Minneapolis, Minnesota 55401-2121
Attention: Bret Brunner
Tel.: (612) 342-3297

(3) All notices, correspondence and documents to:

ReliaStar Investment Research, Inc.
100 Washington Avenue South, Suite 800
Minneapolis, Minnesota 55401-2121
Ref: Private Placements
Fax: (612) 342-5368

(5) Tax I.D. No.: 41-0451140

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
	SERIES	PRINCIPAL AMOUNT
RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK	RHD-8	$2,000,000

(1) All payments on or in respect of the Notes to be made by bank wire transfer of Federal or other immediately available funds to:

BK of NYC
IOC 566-INST'L CUSTODY
Bank ABA No.: 021000018
Acct. #: 187038
Acct. Name: ReliaStar Life Insurance Company of New York
Reference CUSIP, Name & Maturity

(2) Upon closing, deliver Notes to:

ReliaStar Investment Research, Inc.
100 Washington Avenue South, Suite 800
Minneapolis, Minnesota 55401-2121
Attention: Bret Brunner
Phone: (612) 342-3297

(3) All notices, correspondence and documents to:

ReliaStar Investment Research, Inc.
100 Washington Avenue South, Suite 800
Minneapolis, Minnesota 55401-2121
Ref: Private Placements
Fax: (612) 342-5368

(5) Tax I.D. No.: 53-0242530

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
NORTHERN LIFE INSURANCE COMPANY	SERIES	PRINCIPAL AMOUNT
	RHB-7	$3,000,000
	RHD-9	$2,000,000

(1) All payments on or in respect of the Notes to be made by bank wire transfer of Federal or other immediately available funds to:

BK of NYC
IOC 566-INST'L CUSTODY
ABA No.: 021000018
Account #: 187036
Account Name: Northern Life Insurance Company
Reference CUSIP, Name & Maturity

(2) Upon closing, deliver Notes to:

ReliaStar Investment Research, Inc.
100 Washington Avenue South, Suite 800
Minneapolis, Minnesota 55401-2121
Attention: Bret Brunner
Phone: (612) 342-3297

(3) All notices, correspondence and documents to:

ReliaStar Investment Research, Inc.
100 Washington Avenue South, Suite 800
Minneapolis, Minnesota 55401-2121
Ref: Private Placements
Fax: (612) 342-5368

(5) Tax I.D. No.: 41-1295933

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
SUN LIFE ASSURANCE COMPANY OF CANADA	SERIES	PRINCIPAL AMOUNT
	RHA-6	$1,250,000
	RHA-7	$250,000
	RHF-7	$2,000,000

(1) Wire transfers of principal and interest with regard to the Notes are to be directed to:

Bank of New York
P&I Department
ABA No.: 021-000-018
Account: IOC566
Re: Heritage Operating, L.P.
For Further Credit: IOC566
All wire transfers are to be accompanied by the PPN and by the source and the principal and interest application of the funds.

Sun Life has a reinvestment deadline of 10:00 a.m. (Eastern time) after which it cannot continue to hold funds available absent an indemnification in respect of overnight interest and any other costs that may be incurred if the closing does not take place on the scheduled closing date.

(2) Upon closing, deliver Notes to:

Sun Life of Canada
One Sun Life Executive Park, SC 1303
Wellesley Hills, Massachusetts 02481
Attention: Linda R. Guillette

(3) Written notice of each routine payment and any audit confirmation to be sent to:

Sun Life of Canada
One Sun Life Executive Park, SC 1395
Manager, Securities Operations
Wellesley Hills, Massachusetts 02481

(4) All other notices and correspondence, including notices of non-routine payments, are to be forwarded to:

Sun Life of Canada
One Sun Life Executive Park, SC 1303
Investment Division/Private Placements
Wellesley Hills, Massachusetts 02481

(5) Tax I.D. No.: 38-1082080

(6) Please forward signature pages, funding instructions, and the closing documents to:

Sun Life of Canada
One Sun Life Executive Park, SC 1303
Wellesley Hills, Massachusetts 02481
Attention: Michael Labrinos

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
SUN LIFE ASSURANCE COMPANY OF CANADA (U.S.)	SERIES	PRINCIPAL AMOUNT
	RHF-6	$5,000,000

(1) Wire transfers of principal and interest with regard to the Notes are to be directed to:

The Chase Manhattan Bank
Private Placement Processing
ABA No.: 021-000-021
Account: 900-9-000200
Re: Heritage Operating, L.P.
Chase Account: G52682
All wire transfers are to be accompanied by the PPN and by the source and the principal and interest application of the funds.

Sun Life has a reinvestment deadline of 10:00 a.m. (Eastern time) after which it cannot continue to hold funds available absent an indemnification in respect of overnight interest and any other costs that may be incurred if the closing does not take place on the scheduled closing date.

(2) Upon closing, deliver Notes to:

Sun Life of Canada
One Sun Life Executive Park, SC 1303
Wellesley Hills, Massachusetts 02481
Attention: Linda R. Guillette

(3) Written notice of each routine payment and any audit confirmation to be sent to:

Sun Life of Canada
One Sun Life Executive Park, SC 1395
Manager, Securities Operations
Wellesley Hills, Massachusetts 02481

(4) All other notices and correspondence, including notices of non-routine payments, are to be forwarded to:

Sun Life of Canada
One Sun Life Executive Park, SC 1303
Investment Division/Private Placements
Wellesley Hills, Massachusetts 02481

(5) Tax I.D. No.: 04-2461439

(6) Please forward signature pages, funding instructions, and the closing documents to:

Sun Life of Canada
One Sun Life Executive Park, SC 1303
Wellesley Hills, Massachusetts 02481
Attention: Michael Labrinos

NAME OF PURCHASER	SERIES AND PRINCIPAL AMOUNT OF NOTES BEING PURCHASED	
SUN LIFE INSURANCE AND ANNUITY COMPANY OF NEW YORK	SERIES	PRINCIPAL AMOUNT
	RHA-8	$250,000
	RHA-9	$250,000
	RHA-10	$1,000,000

(1) Wire transfers of principal and interest with regard to the Notes are to be directed to:

The Chase Manhattan Bank
Private Placement Processing
ABA No. 021-000-021
Account: 900-9-000200
Re: Heritage Operating, L.P.

For the two (2) $250,000 Series A Notes:
Chase Account: G51642

For the $1,000,000 Series A Note:
Chase Account: G51933

All wire transfers are to be accompanied by the PPN and by the source and the principal and interest application of the funds.

Sun Life has a reinvestment deadline of 10:00 a.m. (Eastern time) after which it cannot continue to hold funds available absent an indemnification in respect of overnight interest and any other costs that may be incurred if the closing does not take place on the scheduled closing date.

(2) Upon closing, deliver Notes to:

Sun Life of Canada
One Sun Life Executive Park, SC 1303
Wellesley Hills, Massachusetts 02481
Attention: Linda R. Guillette

(3) Written notice of each routine payment and any audit confirmation to be sent to:

Sun Life of Canada
One Sun Life Executive Park, SC 1395
Manager, Securities Operations
Wellesley Hills, Massachusetts 02481

(4) All other notices and correspondence, including notices of non-routine payments, are to be forwarded to:

Sun Life of Canada
One Sun Life Executive Park, SC 1303
Investment Division/Private Placements
Wellesley Hills, Massachusetts 02481

(5) Tax I.D. No.: 04-2845273

(6) Please forward signature pages, funding instructions, and the closing documents to:

Sun Life of Canada
One Sun Life Executive Park, SC 1303
Wellesley Hills, Massachusetts 02481
Attention: Michael Labrinos

FORM OF SERIES A NOTE

HERITAGE OPERATING, L.P.

8.47% Series A Note

Due August 15 2007

No. _____, ____

$

PPN:

HERITAGE OPERATING, L.P., a Delaware limited partnership (the "Company"), for value received, hereby promises to pay to _____ or registered assigns on the fifteenth day of August, 2007 the principal amount of _____ DOLLARS ($_____), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid at the rate of 8.47% per annum from the date hereof until maturity, payable quarterly on the 15th day of each February, May, August and November in each year commencing on _____, _____, and at maturity. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest, payable quarterly as aforesaid (or, at the option of the holder hereof, on demand) at a rate per annum from time to time equal to the greater of (i) 10.47%, or (ii) 2% over the rate of interest publicly announced by Morgan Guaranty Trust Company of New York as its "prime rate" until paid. Both the principal hereof and interest hereon are payable at the principal office of Morgan Guaranty Trust Company of New York, in New York, New York in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This promissory note is one of the 8.47% Series A Notes due August 15, 2007 (the "Series A Notes") of the Company in the aggregate principal amount of $16,000,000 issued under and pursuant to the terms and provisions of the Note Purchase Agreement dated as of August 10, 2000 (the "Agreement"), entered into by the Company with the Initial Purchasers therein referred to. Under and pursuant to said Agreement (including any Supplemental Note Purchase Agreements, as such term and all other terms used herein but not otherwise defined herein are defined in the Agreement) the Company and may from time to time issue additional series of promissory notes (the "Subsequent Notes" and collectively with the Series A-F Notes, the "Notes"). The aggregate principal amount of all Notes issued under the Agreement shall not exceed $250,000,000. This Series A Note and the holder hereof are entitled equally and ratably with the holders of all other Notes outstanding under the Agreement to all the benefits provided

for thereby or referred to therein. Reference is hereby made to the Agreement for a statement of such rights and benefits.

This Series A Note and the other Notes outstanding under the Agreement may be declared due prior to their expressed maturity dates, all in the events, on the terms and in the manner and amounts as provided in the Agreement.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Agreement.

This Series A Note is secured pursuant to the Security Agreement (as defined in the Agreement), and, subject to the Intercreditor Agreement (as defined in the Agreement), is entitled to the benefits thereof.

This Series A Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Series A Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Series A Note shall be made only to or upon the order in writing of the registered holder.

This Series A Note shall be governed by the laws of the State of New York.

HERITAGE OPERATING, L.P.

By Heritage Holdings, Inc., General Partner

By

Its

FORM OF SERIES B NOTE

HERITAGE OPERATING, L.P.

8.55% Series B Note

Due August 15, 2010

No. _____, ____

$

PPN:

HERITAGE OPERATING, L.P., a Delaware limited partnership (the "Company"), for value received, hereby promises to pay to _____ or registered assigns on the fifteenth day of August, 2010 the principal amount of _____ DOLLARS ($_____), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid at the rate of 8.55% per annum from the date hereof until maturity, payable quarterly on the 15th day of each February, May, August and November in each year commencing on _____, _____, and at maturity. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest, payable quarterly as aforesaid (or, at the option of the holder hereof, on demand) at a rate per annum from time to time equal to the greater of (i) 10.55%, or (ii) 2% over the rate of interest publicly announced by Morgan Guaranty Trust Company of New York as its "prime rate" until paid. Both the principal hereof and interest hereon are payable at the principal office of Morgan Guaranty Trust Company of New York, in New York, New York in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This promissory note is one of the 8.55% Series B Notes due August 15, 2010 (the "Series B Notes") of the Company in the aggregate principal amount of $32,000,000 issued under and pursuant to the terms and provisions of the Note Purchase Agreement dated as of August 10, 2000 (the "Agreement"), entered into by the Company with the Initial Purchasers therein referred to. Under and pursuant to said Agreement (including any Supplemental Note Purchase Agreements, as such term and all other terms used herein but not otherwise defined herein are defined in the Agreement) the Company and may from time to time issue additional series of promissory notes (the "Subsequent Notes" and collectively with the Series A-F Notes, the "Notes"). The aggregate principal amount of all Notes issued under the Agreement shall not exceed $250,000,000. This Series B Note and the holder hereof are entitled equally and ratably with the holders of all other Notes outstanding under the Agreement to all the benefits provided

for thereby or referred to therein. Reference is hereby made to the Agreement for a statement of such rights and benefits.

This Series B Note and the other Notes outstanding under the Agreement may be declared due prior to their expressed maturity dates, all in the events, on the terms and in the manner and amounts as provided in the Agreement.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Agreement.

This Series B Note is secured pursuant to the Security Agreement (as defined in the Agreement), and, subject to the Intercreditor Agreement (as defined in the Agreement), is entitled to the benefits thereof.

This Series B Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Series B Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Series B Note shall be made only to or upon the order in writing of the registered holder.

This Series B Note shall be governed by the laws of the State of New York.

HERITAGE OPERATING, L.P.

By Heritage Holdings, Inc., General Partner

By

Its:

FORM OF SERIES C NOTE

HERITAGE OPERATING, L.P.

8.59% Series C Note

Due August 15, 2010

No. _____, ____

$

PPN:

HERITAGE OPERATING, L.P., a Delaware limited partnership (the "Company"), for value received, hereby promises to pay to _____ or registered assigns on the fifteenth day of August, 2010 the principal amount of _____ DOLLARS ($_____), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid at the rate of 8.59% per annum from the date hereof until maturity, payable quarterly on the 15th day of each February, May, August and November in each year commencing on _____, _____, and at maturity. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest, payable quarterly as aforesaid (or, at the option of the holder hereof, on demand) at a rate per annum from time to time equal to the greater of (i) 10.59%, or (ii) 2% over the rate of interest publicly announced by Morgan Guaranty Trust Company of New York as its "prime rate" until paid. Both the principal hereof and interest hereon are payable at the principal office of Morgan Guaranty Trust Company of New York, in New York, New York in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This promissory note is one of the 8.59% Series C Notes due August 15, 2010 (the "Series C Notes") of the Company in the aggregate principal amount of $27,000,000 issued under and pursuant to the terms and provisions of the Note Purchase Agreement dated as of August 10, 2000 (the "Agreement"), entered into by the Company with the Initial Purchasers therein referred to. Under and pursuant to said Agreement (including any Supplemental Note Purchase Agreements, as such term and all other terms used herein but not otherwise defined herein are defined in the Agreement) the Company and may from time to time issue additional series of promissory notes (the "Subsequent Notes" and collectively with the Series A-F Notes, the "Notes"). The aggregate principal amount of all Notes issued under the Agreement shall not exceed $250,000,000. This Series C Note and the holder hereof are entitled equally and ratably with the holders of all other Notes outstanding under the Agreement to all the benefits provided

for thereby or referred to therein. Reference is hereby made to the Agreement for a statement of such rights and benefits.

This Series C Note and the other Notes outstanding under the Agreement may be declared due prior to their expressed maturity dates, all in the events, on the terms and in the manner and amounts as provided in the Agreement.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Agreement.

This Series C Note is secured pursuant to the Security Agreement (as defined in the Agreement), and, subject to the Intercreditor Agreement (as defined in the Agreement), is entitled to the benefits thereof.

This Series C Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Series C Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Series C Note shall be made only to or upon the order in writing of the registered holder.

This Series C Note shall be governed by the laws of the State of New York.

HERITAGE OPERATING, L.P.

By Heritage Holdings, Inc., General Partner

By

Its:

FORM OF SERIES D NOTE

HERITAGE OPERATING, L.P.

8.67% Series D Note

Due August 15, 2012

No. _____, ____

$

PPN:

HERITAGE OPERATING, L.P., a Delaware limited partnership (the "Company"), for value received, hereby promises to pay to _____ or registered assigns on the fifteenth day of August, 2012 the principal amount of _____ DOLLARS ($_____), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid at the rate of 8.67% per annum from the date hereof until maturity, payable quarterly on the 15th day of each February, May, August and November in each year commencing on _____, _____, and at maturity. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest, payable quarterly as aforesaid (or, at the option of the holder hereof, on demand) at a rate per annum from time to time equal to the greater of (i) 10.67%, or (ii) 2% over the rate of interest publicly announced by Morgan Guaranty Trust Company of New York as its "prime rate" until paid. Both the principal hereof and interest hereon are payable at the principal office of Morgan Guaranty Trust Company of New York, in New York, New York in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This promissory note is one of the 8.67% Series D Notes due August 15, 2012 (the "Series D Notes") of the Company in the aggregate principal amount of $58,000,000 issued under and pursuant to the terms and provisions of the Note Purchase Agreement dated as of August 10, 2000 (the "Agreement"), entered into by the Company with the Initial Purchasers therein referred to. Under and pursuant to said Agreement (including any Supplemental Note Purchase Agreements, as such term and all other terms used herein but not otherwise defined herein are defined in the Agreement) the Company and may from time to time issue additional series of promissory notes (the "Subsequent Notes" and collectively with the Series A-F Notes, the "Notes"). The aggregate principal amount of all Notes issued under the Agreement shall not exceed $250,000,000. This Series D Note and the holder hereof are entitled equally and ratably with the holders of all other Notes outstanding under the Agreement to all the benefits provided

for thereby or referred to therein. Reference is hereby made to the Agreement for a statement of such rights and benefits.

This Series D Note and the other Notes outstanding under the Agreement may be declared due prior to their expressed maturity dates, all in the events, on the terms and in the manner and amounts as provided in the Agreement.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Agreement.

This Series D Note is secured pursuant to the Security Agreement (as defined in the Agreement), and, subject to the Intercreditor Agreement (as defined in the Agreement), is entitled to the benefits thereof.

This Series D Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Series D Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Series A Note shall be made only to or upon the order in writing of the registered holder.

This Series D Note shall be governed by the laws of the State of New York.

HERITAGE OPERATING, L.P.

By Heritage Holdings, Inc., General Partner

By

Its:

FORM OF SERIES E NOTE

HERITAGE OPERATING, L.P.

8.75% Series E Note

Due August 15, 2015

No. _____, ____

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PPN:

HERITAGE OPERATING, L.P., a Delaware limited partnership (the "Company"), for value received, hereby promises to pay to _____ or registered assigns on the fifteenth day of August, 2015 the principal amount of _____ DOLLARS ($_____), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid at the rate of 8.75% per annum from the date hereof until maturity, payable quarterly on the 15th day of each February, May, August and November in each year commencing on _____, _____, and at maturity. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest, payable quarterly as aforesaid (or, at the option of the holder hereof, on demand) at a rate per annum from time to time equal to the greater of (i) 10.75%, or (ii) 2% over the rate of interest publicly announced by Morgan Guaranty Trust Company of New York as its "prime rate" until paid. Both the principal hereof and interest hereon are payable at the principal office of Morgan Guaranty Trust Company of New York, in New York, New York in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This promissory note is one of the 8.75% Series E Notes due August 15, 2015 (the "Series E Notes") of the Company in the aggregate principal amount of $7,000,000 issued under and pursuant to the terms and provisions of the Note Purchase Agreement dated as of August 10, 2000 (the "Agreement"), entered into by the Company with the Initial Purchasers therein referred to. Under and pursuant to said Agreement (including any Supplemental Note Purchase Agreements, as such term and all other terms used herein but not otherwise defined herein are defined in the Agreement) the Company and may from time to time issue additional series of promissory notes (the "Subsequent Notes" and collectively with the Series A-F Notes, the "Notes"). The aggregate principal amount of all Notes issued under the Agreement shall not exceed $250,000,000. This Series E Note and the holder hereof are entitled equally and ratably with the holders of all other Notes outstanding under the Agreement to all the benefits provided

for thereby or referred to therein. Reference is hereby made to the Agreement for a statement of such rights and benefits.

This Series E Note and the other Notes outstanding under the Agreement may be declared due prior to their expressed maturity dates, all in the events, on the terms and in the manner and amounts as provided in the Agreement.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Agreement.

This Series E Note is secured pursuant to the Security Agreement (as defined in the Agreement), and, subject to the Intercreditor Agreement (as defined in the Agreement), is entitled to the benefits thereof.

This Series E Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Series E Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Series E Note shall be made only to or upon the order in writing of the registered holder.

This Series E Note shall be governed by the laws of the State of New York.

HERITAGE OPERATING, L.P.

By Heritage Holdings, Inc., General Partner

By

Its:

FORM OF SERIES F NOTE

HERITAGE OPERATING, L.P.

8.87% Series F Note

Due August 15, 2020

No. _____, ____

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PPN:

HERITAGE OPERATING, L.P., a Delaware limited partnership (the "Company"), for value received, hereby promises to pay to _____ or registered assigns on the fifteenth day of August, 2020 the principal amount of _____ DOLLARS ($_____), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid at the rate of 8.87% per annum from the date hereof until maturity, payable quarterly on the 15th day of each February, May, August and November in each year commencing on _____, _____, and at maturity. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest, payable quarterly as aforesaid (or, at the option of the holder hereof, on demand) at a rate per annum from time to time equal to the greater of (i) 10.87%, or (ii) 2% over the rate of interest publicly announced by Morgan Guaranty Trust Company of New York as its "prime rate" until paid. Both the principal hereof and interest hereon are payable at the principal office of Morgan Guaranty Trust Company of New York, in New York, New York in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This promissory note is one of the 8.87% Series F Notes due August 10, 2020 (the "Series F Notes") of the Company in the aggregate principal amount of $40,000,000 issued under and pursuant to the terms and provisions of the Note Purchase Agreement dated as of August 10, 2000 (the "Agreement"), entered into by the Company with the Initial Purchasers therein referred to. Under and pursuant to said Agreement (including any Supplemental Note Purchase Agreements, as such term and all other terms used herein but not otherwise defined herein is defined in the Agreement) the Company and may from time to time issue additional series of promissory notes (the "Subsequent Notes" and collectively with the Series A-F Notes, the "Notes"). The aggregate principal amount of all Notes issued under the Agreement shall not exceed $250,000,000. This Series F Note and the holder hereof are entitled equally and ratably with the holders of all other Notes outstanding under the Agreement to all the benefits provided

for thereby or referred to therein. Reference is hereby made to the Agreement for a statement of such rights and benefits.

This Series F Note and the other Notes outstanding under the Agreement may be declared due prior to their expressed maturity dates, all in the events, on the terms and in the manner and amounts as provided in the Agreement.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Agreement.

This Series F Note is secured pursuant to the Security Agreement (as defined in the Agreement), and, subject to the Intercreditor Agreement (as defined in the Agreement), is entitled to the benefits thereof.

This Series F Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Series F Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Series F Note shall be made only to or upon the order in writing of the registered holder.

This Series F Note shall be governed by the laws of the State of New York.

HERITAGE OPERATING, L.P.

By Heritage Holdings, Inc., General Partner

By

Its:

FORM OF SUBSEQUENT NOTE

HERITAGE OPERATING, L.P.

___% Series __ Note

Due _____, _____

No. _____, ____

$

PPN:

HERITAGE OPERATING, L.P., a Delaware limited partnership (the "Company"), for value received, hereby promises to pay to _____ or registered assigns on the _____day of _____, _____the principal amount of_____ DOLLARS ($_____), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the principal amount from time to time remaining unpaid at the rate of ___% per annum from the date hereof until maturity, payable quarterly on the __day of each _____, _____, _____ and _____ in each year commencing on _____, _____, and at maturity. The Company agrees to pay interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest, payable quarterly as aforesaid (or, at the option of the holder hereof, on demand) at a rate per annum from time to time equal to the greater of (i) __%, or (ii) 2% over the rate of interest publicly announced by Morgan Guaranty Trust Company of New York as its "prime rate" until paid. Both the principal hereof and interest hereon are payable at the principal office of Morgan Guaranty Trust Company of New York, in New York, New York in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Promissory Note is one of the ___% Series ___ Notes due _____, ___ (the "Series__ Notes") of the Company in the aggregate principal amount of $_____ issued under and pursuant to the terms and provisions of the Note Purchase Agreement dated as of August 10, 2000 (the "Agreement"), entered into by the Company with the Initial Purchasers therein referred to, and a Supplemental Note Purchase Agreement dated as of _____, ____ entered into by the Company with the Supplemental Purchasers (as such term is defined in the Agreement) named therein. Under and pursuant to said Agreement the Company has heretofore issued Series A Notes, Series B Notes, Series C Notes, Series D Notes, Series E Notes, Series F Notes, Series ___ Notes and Series ____ Notes (the "Issued Notes") in the aggregate and may, from time to time issue additional Series (as such term is defined in the Agreement) of promissory notes (such additional notes together with the Issued Notes and the Series ___ Notes are hereinafter collectively referred to as the "Notes"). The aggregate principal amount of all Notes issued under the Agreement shall not exceed $250,000,000. This Series ___Note and the holder hereof are entitled equally and ratably with the holders of all other Notes outstanding under the Agreement

to all the benefits provided for thereby or referred to therein. Reference is hereby made to the Agreement for a statement of such rights and benefits.

This Series ___ Note and the other Notes outstanding under the Agreement (including any Supplemental Note Purchase Agreements, as such term is defined in the Agreement) may be declared due prior to their expressed maturity dates all in the events, on the terms and in the manner and amounts as provided in the Agreement.

The Notes are not subject to prepayment or redemption at the option of the Company prior to their expressed maturity dates except on the terms and conditions and in the amounts and with the premium, if any, set forth in the Agreement, including the Supplemental Note Purchase Agreement.

This Series _____ Note is secured pursuant to the Security Agreement (as defined in the Agreement), and, subject to the Intercreditor Agreement (as defined in the Agreement), is entitled to the benefits thereof.

This Series _____ Note is registered on the books of the Company and is transferable only by surrender thereof at the principal office of the Company duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Series ___ Note or its attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Series ___ Note shall be made only to or upon the order in writing of the registered holder.

This Series ___ Note shall be governed by the laws of the State of New York.

HERITAGE OPERATING, L.P.

By Heritage Holdings, Inc., General Partner

By

Its:

FORM OF SUPPLEMENTAL NOTE PURCHASE AGREEMENT

As of _____, ____

To Each of the Purchasers
Named in the Supplemental
Purchaser Schedule Attached Hereto

Ladies and Gentlemen:

Reference is made to that certain Note Purchase Agreement dated as of August 10, 2000 between the Company and each of the Initial Purchasers named in the Initial Purchaser Schedule attached thereto (the "Agreement"). Terms used but not defined herein shall have the respective meanings set forth in the Agreement.

As contemplated in Section 2B of the Agreement, the Company agrees with you as follows:

A. Subsequent Series of Notes. The Company will create a Subsequent Series of Notes to be called the "Series ____ Notes". Said Series ___ Notes will be dated the date of issue; will bear interest from such date at the rate of __% per annum, payable quarterly on the __ day of each _____, _____, _____ and _____ in each year (commencing _____, ___) until the principal amount thereof shall become due and payable and shall bear interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest at the rate specified therein after the date due for payment, whether by acceleration or otherwise, until paid; will be expressed to mature on _____, ____; and will be substantially in the form attached to the Agreement as Exhibit A-7 with the appropriate insertions to reflect the terms and provisions set forth above.

B. Purchase and Sale of Series Notes. The Company hereby agrees to sell to each Supplemental Purchaser set forth on the Supplemental Purchaser Schedule attached hereto (collectively, the "Series ___ Purchasers") and, subject to the terms and conditions in the Agreement and herein set forth, each Series Purchaser agrees to purchase from the Company the aggregate principal amount of the Series ____ Notes set opposite each Series ____ Purchaser's name in the Supplemental Purchaser Schedule at 100% of the aggregate principal amount. The sale of the Series ___ Notes shall take place at the offices of Winston & Strawn, 35 West Wacker Drive, Chicago, Illinois 60601 at 10:00 a.m. Chicago time, at a closing the ("Series ___ Closing") on _____, ___ or such other date as shall be agreed upon by the Company and each Series ___ Purchaser. At the Series ___ Closing the Company will deliver to each Series ___ Purchaser one or more Series Notes registered in such Series __ Purchaser's name (or in the name of its nominee), evidencing the aggregate principal amount of Series ___ Notes to be purchased by said Series ____ Purchaser and in the denomination or denominations specified with respect to such Series ___ Purchaser in the Supplemental Purchaser Schedule attached

hereto against payment of the purchase price thereof by transfer of immediately available funds for credit to the Company's account on the date of the Series ____ Closing (the "Series ____ Closing Date") (as specified in a notice to each Series _____ Purchaser at least three Business Days prior to the Series _____Closing Date).

C. Conditions of Series _____ Closing. The obligation of each Series ___ Purchaser to purchase and pay for the Series ___ Notes to be purchased by such purchaser hereunder on the Series ___ Closing Date is subject to the satisfaction, on or before such Series ___ Closing Date, of the conditions set forth in Section 3 of the Agreement.

D. Prepayments. The Series _____ Notes shall be subject to prepayment only (a) pursuant to the required prepayments, if any, specified in clause (x) below, and in Section 4C of the Agreement; and (b) pursuant to the optional prepayments permitted by Section 4B of the Agreement.

(x) Required Prepayments; Maturity

[to be determined]

(y) Optional and Contingent Prepayments. As provided in Sections 4B and 4C of the Agreement.

E. Series ___ Notes Issued under and Pursuant to Agreement. Except as specifically provided above, the Series ___ Notes shall be deemed to be issued under, to be subject to and to have the benefit of all of the terms and provisions of the Agreement as the same may from time to time be amended and supplemented in the manner provided therein.

The execution hereof by the Series ___ Purchasers shall constitute a contract among the Company and the Series ___ Purchasers for the uses and purposes hereinabove set forth. By their acceptance hereof, each of the Series ___ Purchasers shall also be deemed to have accepted and agreed to the terms and provisions of the Agreement, as in effect on the date hereof.

HERITAGE OPERATING, L.P.

By Heritage Holdings, Inc., General Partner

By

Its:

Accepted as of

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

[VARIATION]

By

Its:

[WINSTON & STRAWN LETTERHEAD]

August 10, 2000

To each of the Parties listed
on Schedule I attached hereto

$16,000,000	$58,000,000
8.47% Series A Senior Secured Notes Due August 15, 2007	8.67% Series D Senior Secured Notes Due August 15, 2012
$32,000,000	$7,000,000
8.55% Series B Senior Secured Notes Due August 15, 2010	8.75% Series E Senior Secured Notes Due August 15, 2015
$27,000,000	$40,000,000
8.59% Series C Senior Secured Notes Due August 15, 2010	8.87% Series F Senior Secured Notes Due August 15, 2020

of

HERITAGE OPERATING, L.P.

Ladies and Gentlemen:

We have acted as special counsel to HERITAGE OPERATING, L.P., a Delaware limited partnership (the "Company"), in connection with the issue and sale on the date hereof by the Company of $16,000,000 principal amount of its 8.47% senior secured notes due August 15, 2007 (the "A Notes"), $32,000,000 principal amount of its 8.55% senior secured notes due August 15, 2010 (the "B Notes"), $27,000,000 principal amount of its 8.59% senior secured notes due August 15, 2010 (the "C Notes"), $58,000,000 principal amount of its 8.67% senior secured notes due August 15, 2012 (the "D Notes") $7,000,000 principal amount of its 8.75% senior secured notes due August 15, 2015 (the "E Notes") and $40,000,000 principal amount of its 8.87% senior secured notes due August 15, 2020 (the "F Notes" and collectively with the A

EXHIBIT C-1
(to Note Purchase Agreement)

Notes, the B Notes, the C Notes, the D Notes and the E Notes, the "Notes"). The Notes are being issued and sold to you on this date under and pursuant to the Note Purchase Agreement dated as of August 10, 2000 (the "Agreement") among the Company and each of you. This opinion letter is being delivered pursuant to Section 3B of the Agreement.

In that connection we have examined the following:

(a) The Agreement;

(b) A copy of the Certificate of Limited Partnership of the Company and all amendments thereto certified by the Secretary of State of the State of Delaware and certified by the Secretary of Heritage Holdings, Inc., a Delaware corporation ("Heritage"), in its capacity as the general partner of the Company;

(c) A copy of the Amended and Restated Agreement of Limited Partnership of the Company, as amended to the date hereof and certified by the Secretary of Heritage;

(d) A copy of the Certificate of Incorporation of Heritage and all amendments thereto certified by the Secretary of State of the State of Delaware and certified by the Secretary of Heritage;

(e) A copy of the By-laws of Heritage, as amended to the date hereof and certified by the Secretary of Heritage;

(f) A copy of the resolutions adopted by the Board of Directors of Heritage, in its capacity as the general partner of the Company, with respect to the authorization of the Agreement, the issue, sale and delivery of the Notes, the preparation and delivery of an Additional Parity Debt Designation (the "Designation") with respect to the Notes and under the Intercreditor Agreement (as hereinafter defined) and related matters, as certified by the Secretary of Heritage;

(g) The opinion of Doerner, Saunders, Daniel & Anderson, L.L.P., counsel to the Company, dated the date hereof and delivered responsive to Section 3B of the Agreement;

(h) The Notes delivered on the date hereof;

(i) The Intercreditor and Agency Agreement dated as of June 28, 1996, among Bank of Oklahoma, National Association (as successor to The First National Bank of Boston), in its capacity as Administrative Agent, the Purchasers listed in Schedule I attached thereto and Wilmington Trust Company, in its capacity as Collateral Agent (the "Intercreditor Agreement");

(j) The Supplement to Intercreditor and Agency Agreement dated as of August 10, 2000 among Bank of Oklahoma, National Association (as successor to The First

National Bank of Boston), in its capacity as Administrative Agent, the Purchasers listed therein and Wilmington Trust Company, in its capacity as Collateral Agent;

(k) The Designation;

(l) The letter of Winston & Strawn dated July 6, 2000 (the "Notice Letter") having attached thereto various documents described in Section 6 of the Intercreditor Agreement;

(m) Such certificates of officers of the Company and Heritage and of public officials as we have deemed necessary to give the opinions hereinafter expressed; and

(n) Such other documents and matters of law as we have deemed necessary to give the opinions hereinafter expressed.

In such examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures (other than of the Company), the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, photostatic or facsimile copies and the authenticity of the originals of such copies.

As to various questions of fact material to the opinions rendered herein, we have relied upon the representations in the documents examined by us and upon certificates of public officers and officers of the Company and Heritage. We have assumed the due execution and delivery, pursuant to due authorization, of the documents that we have examined by each party thereto other than the Company, that each such other party has the full power, authority and legal right to enter into and perform its obligations under each such document to which it is a party, that each such document constitutes the valid and legally binding obligation of each such other party, enforceable against such party in accordance with its terms, and that all necessary consents, approvals, authorizations, registrations, declarations and filings (governmental or otherwise) and all other conditions precedent with respect to the legal and valid execution and delivery of, and performance under, the documents that we have examined by each party thereto other than the Company have been made or satisfied or have occurred and are in full force and effect.

Based upon the foregoing, we are of the opinion that:

1. The Company is a limited partnership validly existing under the laws of the State of Delaware and has the power and authority to enter into and deliver the Agreement and to issue the Notes. No opinion is expressed in this paragraph as to the creation, perfection or priority of any security interest or lien intended to be created by the Agreement.

2. The Agreement has been duly authorized by all necessary partnership action on the part of the Company, has been duly executed and delivered by the Company

and constitutes the legal, valid and binding contract of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

3. The Notes have been duly authorized by all necessary partnership action on the part of the Company, and the Notes being delivered on the date hereof have been duly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

4. The issuance, sale and delivery of the Notes under the circumstances contemplated by the Agreement do not, under existing law, require the registration of the Notes under the Securities Act of 1933, as amended, or the qualification of an indenture in respect thereof under the Trust Indenture Act of 1939, as amended.

5. The issuance and sale of the Notes and the execution, delivery and performance by the Company of the Agreement do not conflict with, or result in any breach of any of the provisions of, or result in the creation or imposition of a Lien (as defined in the Agreement) upon any of the property of the Company pursuant to (i) the provisions of the Certificate of Limited Partnership and Amended and Restated Agreement of Limited Partnership of the Company, (ii) any judgment, decree, writ, injunction, order or award of any arbitrator, court or governmental authority known to us which is applicable to the Company or by which the Company may be bound, (iii) any statute, or regulation of any governmental agency or authority of, the State of New York or the United States, applicable to the Company or its properties (except that no opinion is expressed as to the Public Utility Holding Company Act of 1935, as amended) or (iv) any agreement or other instrument known to us to which the Company is a party or by which the Company may be bound (except we express no opinion as to violations of financial covenants where the compliance with such covenants is dependent upon a financial calculation).

6. The issuance of the Notes and the use of the proceeds of the sale of the Notes in accordance with the provisions of, and as contemplated by, the Agreement (including, without limitation, the representations and warranties set forth in the Agreement) do not violate or conflict with Regulation T, U or X of the Board of Governors of the Federal Reserve System.

7. No approval, consent or withholding of objection on the part of, or filing, registration or qualification with, any New York or Federal governmental body, or filing, registration or qualification under the General Corporation Law of the State of Delaware or the Revised Uniform Limited Partnership Act of the State of Delaware, is necessary in connection with the execution and delivery by the Company of the Agreement or the Notes.

8. The Notes constitute Additional Parity Debt, as such term is defined in the Intercreditor Agreement, and the Agreement constitutes an Additional Parity Debt Agreement, as such term is defined in the Intercreditor Agreement. Each of you constitutes an Additional Parity Lender, as such term is defined in the Intercreditor Agreement and, accordingly, are entitled to the rights and benefits of (and subject to the obligations of) an Additional Parity Lender under the Intercreditor Agreement and under the Security Agreement, as such term is defined in the Intercreditor Agreement. No opinion is expressed in this paragraph as to the creation, perfection or priority of any security interest or lien intended to be created by the Intercreditor Agreement or the Security Agreement.

The opinions as expressed herein are subject to the following limitations and qualifications:

(a) we express no opinion as to (i) the enforceability of the provisions of Section 11R of the Agreement insofar as such Section relates to the waiver of trial by jury with respect to proceedings in the State of New York and (ii) the choice of governing law to the extent that any such provision (a) is to be considered by any court other than a court of the State of New York or (b) purports to exclude reference to the conflict of law principles of the law of the State of New York;

(b) we express no opinion as to the validity, binding effect or enforceability of any indemnification provisions of the Agreement;

(c) we express no opinion as to the validity, binding effect or enforceability of the severability provisions of any of the Agreement;

(d) we express no opinion as to the enforceability of cumulative remedies to the extent such cumulative remedies purport to or would have the effect of compensating the party entitled to the benefits thereof in amounts in excess of the actual loss suffered by such party; and

(e) requirements in the Agreement specifying that provisions thereof may only be waived in writing may not be valid, binding or enforceable to the extent that an oral agreement or an implied agreement by trade practice or course of conduct has been created modifying any provision of such agreement.

Our opinion is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware, the Revised Uniform Limited Partnership Act of the State of Delaware and the Federal laws of the United States and we express no opinion on the laws of any other jurisdiction.

Our opinions set forth in this letter are based upon the facts in existence and laws in effect on the date hereof and we expressly disclaim any obligation to update our opinions herein, regardless of whether changes in such facts or laws come to our attention after the delivery hereof.

Whenever in our opinions we indicate that the existence or absence of facts is based on our knowledge or awareness, we are referring to the current actual knowledge of Winston & Strawn attorneys who have given substantive attention to matters concerning the Company during the course of our representation of the Company in connection with the transactions contemplated by the Agreement.

This opinion letter is furnished by us to you for your benefit and for the benefit of any institutional investors which are transferees of the Notes (assuming such transfer was in compliance with applicable laws and the terms and conditions of the Agreement) for use in connection with the transactions contemplated by the Agreement and no other Person shall be entitled to rely on this opinion letter without our prior written consent; provided that you may provide a copy of this opinion letter to the National Association of Insurance Commissioners for compliance purposes only. This opinion letter is limited to the matters stated herein, and no opinion is implied or may be inferred beyond the matters expressly stated herein.

Very truly yours,

SCHEDULE I

John Hancock Life Insurance Company

John Hancock Variable Life Insurance Company

Mellon Bank, N.A., Trustee for the Bell Atlantic Master Trust

Mellon Bank, N.A., Trustee under the Long-Term Investment Trust Date October 1, 1996

Clarica Life Insurance Company-U.S.

Connecticut General Life Insurance Company (nominee is CIG & Co.)

Life Insurance Company of North America (nominee is CIG & Co.)

GE Edison Life Insurance Company (nominee is Salkeld & Co.)

The Guardian Life Insurance Company of America (nominee is Cudd & Co.)

Metropolitan Life Insurance Company

Nationwide Life Insurance Company

Nationwide Life and Annuity Insurance Company

Nationwide Mutual Fire Insurance Company

Nationwide Mutual Insurance Company

Pacific Life Insurance Company (nominee MAC & Co.)

Commercial Union Life Insurance Company of America

Principal Life Insurance Company

Reliastar Life Insurance Company

Reliastar Life Insurance Company of New York

Northern Life Insurance Company

Sun Life Assurance Company of Canada

Sun Life Assurance Company of Canada (U.S.)

Sun Life Insurance and Annuity Company of New York

[DOERNER, SAUNDERS, DANIEL & ANDERSON, L.L.P. LETTERHEAD]

August 10, 2000

Purchasers under the Note
Purchase Agreement dated
as of August 10, 2000,
and Supplemental Purchasers
who qualify as Additional
Parity Lenders under Note
Purchase Agreement dated
as of August 10, 2000, and
Wilmington Trust Company as
Collateral Agent under
Security Agreement dated
as of June 28, 1996

Ladies and Gentlemen:

We have acted as counsel for Heritage Operating, L.P., a Delaware limited partnership (the "Company"), and Heritage Holdings, Inc., a Delaware corporation (the "General Partner"), in connection with the execution and delivery of the Note Purchase Agreement dated August 10, 2000 (the "Note Purchase Agreement") among the Company and you. This opinion is being delivered pursuant to Section 3B of the Note Purchase Agreement. All capitalized terms used in this opinion and not otherwise defined herein shall have the meanings ascribed thereto in the Note Purchase Agreement.

In connection with this opinion, we have examined the Note Purchase Agreement, the Series A Notes, the Series B Notes, the Series C Notes, the Series D Notes, the Series E Notes, the Series F Notes, and such other certificates, documents, statutes and other instruments as we have deemed necessary. In rendering this opinion, we have relied in respect of matters of fact upon certificates of officers and employees of the General Partner and upon information obtained from public officials. In addition, we have assumed that all documents submitted to us as originals are authentic, that all

copies submitted to us conform to genuine originals thereof, and that the signatures on all documents examined by us are genuine.

Based upon the foregoing and subject to the limitations, qualifications and exceptions set forth herein, we are of the opinion that:

1. The Company has been duly formed and is validly existing as a limited partnership under the laws of the State of Delaware, with all necessary partnership power and authority to enter into and perform under the Note Purchase Agreement and the Series A Notes, the Series B Notes, the Series C Notes, the Series D Notes, the Series E Notes and the Series F Notes.

2. The Company is duly qualified and is in good standing as a foreign limited partnership in each jurisdiction in which, to our knowledge after having made due inquiry with respect thereto, the character of its properties or activities makes such qualification necessary.

3. The Note Purchase Agreement, the Series A Notes, the Series B Notes, the Series C Notes, the Series D Notes, the Series E Notes and the Series F Notes have been duly authorized, executed and delivered by the Company.

4. To our knowledge there is no legal or governmental proceeding pending or threatened to which the Company is a party or to which any of its properties is subject that if adversely determined, would have a material adverse effect on its properties or business taken as a whole.

5. The Company is not a "gas utility company," and the General Partner is not a "holding company" or a "subsidiary company" of a "holding company" or an affiliate thereof, within the meaning of the Public Utility Holding Company Act of 1935, as amended, and neither the Company nor the General Partner is subject to regulation thereunder.

6. The delivery to the Collateral Agent of the Certificates (accompanied by the stock powers in respect thereof) issued to the Company representing the Company's ownership in each of AGL Propane, L.L.C., United Cities Propane Gas, L.L.C., Peoples Gas Company, L.L.C., and Retail Propane Company, L.L.C. (the "Acquired Entities") acquired under the Contribution Agreement dated as of June 15, 2000 among the Company, Heritage Propane Partners, L.P. and U.S. Propane, L.P., and the Collateral Agent retaining possession of said Certificates will grant to the Secured Creditors, as defined in the Security Agreement dated as of June 28, 1996 among the General Partner, the Company and Wilmington Trust Company, as Collateral Agent, a valid and perfected security interest in all of the right, title and interest of the Company in such collateral held by each of the Acquired Entities, which will be perfected by the Collateral Agent retaining possession of said certificate.

The opinions expressed herein are limited to the laws of the States of Delaware and Oklahoma. We express no opinion with respect to the title of the Company to and of its real or personal property.

In rendering the opinions expressed in paragraph 5, we have relied in part upon the June 19, 1996 no-action letter from the Securities and Exchange Commission, a copy of which is attached hereto and the factual description of the Company's business set forth therein.

The opinions expressed in this letter are limited to the matters stated herein and no opinion is to be implied or may be inferred beyond the matters stated herein. This opinion has been rendered as of the date hereof, and we disclaim any obligation to advise you of any changes in the circumstances, laws or events that may occur subsequent to the date hereof or otherwise to update this opinion.

Each of the purchasers of Notes under the Note Purchase Agreement and any insurance company, other financial institution or "accredited investor" within the meaning of rule 501, Sections (a)(l), (a)(3) or (a)(7) of Regulation D under the Securities Act that becomes a successor, transferee, assignee or holder of any Note in compliance with applicable laws and the Note Purchase Agreement, as the case may be, may rely upon this letter in connection with the issue of the Notes as if such opinion letter were addressed and delivered to each of such persons on the date hereof. Subject to the foregoing, this opinion letter may be relied upon only by you in connection with the issue of the Notes and no other use or distribution of this opinion letter may be made without our prior written consent; provided that you may provide a copy of this opinion letter to the National Association of Insurance Commissioners for compliance purposes only. This opinion letter is limited to the matters stated herein, and no opinion is implied or may be inferred beyond the matters expressly stated herein.

We further advise you that Messrs. Winston & Strawn and Fried, Frank, Harris, Shriver & Jacobson may rely on this opinion in rendering their opinions to you of even date herewith.

Very truly yours,

[DOERNER, SAUNDERS, DANIEL & ANDERSON LETTERHEAD]

April 26, 1996

Ms. Bonnie Wilkinson
Assistant Director (Public Utility Regulation)
Division of Investment Management
Securities and Exchange Commission
450 5th Street, N.W.
Mail Stop 10-6
Washington, D.C. 20549

Re: Request for Interpretation under Section 2(a)(4) of the Public Utility Holding Company Act of 1935

Dear Ms. Wilkinson:

On behalf of Heritage Holdings, Inc. ("HHI") and Heritage Propane Partners, L.P., a Delaware limited partnership ("HPP"), we are writing to request that the Staff of the Division of Investment Management, Office of Public Utility Regulation, concur in our view that the phrase "distribution only in enclosed portable containers," as used in Section 2(a)(4) of the Public Utility Holding Company Act of 1935 (the "Act"), includes the delivery of propane gas in containers built or mounted on trucks to customers who share a common storage container that is connected by pipe to their homes or businesses, as described below. In the alternative, we respectfully request that the Staff agree that the propane business as described in this letter is not the business of a gas utility company.

I. Background

HHI is a privately held Delaware corporation that is currently exempt from regulation as a public utility holding company pursuant to the status of its subsidiaries under Rule 7 under the

Act.(1) HHI is engaged in the sale of propane gas to retail and other customers through certain of its indirect subsidiaries.(2)

II. Retail Business Operations

Propane is a by-product of natural gas processing and oil refining. It is used primarily in rural areas where natural gas is not readily available and is the fourth largest energy source in the U.S., after electricity, natural gas and fuel oil. Approximately 4% of U.S. households use propane, including 1.5 million farms. Propane is used primarily for residential, commercial, and industrial heating and water heating. Propane also has a variety of other applications in agriculture and industry.

HHI's subsidiaries currently distribute propane to over 170,000 residential, commercial, industrial, agricultural and engine fuel customers. The combined fiscal year 1995 retail sales volume was approximately 98 million gallons.

The Operating Partnership will carry out the propane businesses now conducted by HHI's subsidiaries, including the retail and wholesale distribution of propane for residential, commercial, industrial, agricultural and engine fuel uses. The Operating Partnership, through a subsidiary corporation, also will engage in other activities related to the sale of propane, such as equipment and appliance sales and servicing.

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(1) See Rule 7 under the Act. 17 C.F.R. 250.7. HHI's subsidiaries could be considered to be gas utility companies, but for the fact that they are engaged in a business other than a gas utility company and their annual average gross sales of manufactured gas (propane) not otherwise exempt propane for the three preceding calendar years do not exceed $5,000,000.

(2) HHI's wholly-owned subsidiary Heritage Propane Corporation ("HPC") has several subsidiaries that sell gas from bulk storage tanks through metered systems utilizing pipe distribution and customer meters.

HHI is planning to restructure its propane business in a transaction currently expected to close in early June, 1996. As part of the transaction, substantially all of HHI's direct and indirect subsidiaries will be merged into HHI. HHI will then combine the propane businesses of its subsidiaries in a limited partnership (the "Operating Partnership"). Upon completion of these transactions, HHI (the "General Partner") will hold a 1% general partnership interest in the Operating Partnership. The General Partner also will hold a 1% general partnership interest and, directly and indirectly, a 47% limited partnership interest in HPP (the "Partnership"). The Partnership will hold a 99% limited partnership interest in the Operating Partnership. The Partnership has filed a registration statement with the Commission on Form S-1 covering this transaction (File No. 333-4018). Three copies of the registration statement are enclosed.

The Operating Partnership will obtain propane from a large number of sources, including oil companies and natural gas processors in the United States and Canada.(3) Propane purchased by the Operating Partnership will be delivered (by truck, barge or rail) to the Operating Partnership's district locations for storage, or to other storage sites, prior to delivery to customers. HHI's subsidiaries distribute propane from 118 such district locations in 15 states. At these district locations, the Operating Partnership will store and sell propane, distribute propane to customers by truck, and sell, install and service equipment and appliances that use propane.

All deliveries of propane from the Operating Partnership's district storage locations will be made by trucks owned or leased by the Operating Partnership. Some propane is delivered to customers in portable cylinders by rack truck. When a rack truck makes a delivery, full cylinders with a capacity of 5 to 25 gallons will be left with the customer and empty cylinders will be picked up and refilled at the Operating Partnership's sales and service center.

Other propane will be delivered in larger containers built or mounted on trucks ("bulk delivery"). Bulk delivery involves the use of special tank trucks, called bobtails, to fill tanks ("containers") located on the customer's premises. A bobtail is a truck that carries a pressurized portable tank that generally hold approximately 2,500 to 3,000 gallons of propane. Propane is then pumped from the bobtail into a stationary storage tank located on the customer's premises. The capacity of these storage tanks ranges from approximately 100 gallons to approximately 1,200 gallons, with the size depending on the area of the country where the customer lives. Most of these containers sit above ground, are portable, i.e., the container is delivered to and removed from the customer's premises by truck, and are connected to the customer's home, business or appliance or other equipment by pipe. At the current time approximately 85% of these customer tanks are owned by the selling entity. The Operating Partnership will rent these containers that it owns to customers, and, in limited circumstances, sell containers to customers, or deliver propane to customers who own their storage containers.(4)

The Operating Partnership also will deliver propane to certain end users of propane in larger trucks, known as "transports," which carry portable tanks with an average capacity of approximately 9,000 to 10,500 gallons. These customers include industrial customers and large-scale heating accounts.

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(3) HHI's subsidiaries and HPP do not produce propane. They acquire propane from over 40 oil companies and natural gas processors in the U.S. and Canada in conjunction with purchases on the spot market.

(4) In the propane industry, cylinders and tanks used for the transportation or storage of propane are collectively referred to as bottles or barrels. Cylinders are constructed to U.S. Department of Transportation specifications and do not exceed 1,000 lb. water capacity (or 420 lb. propane capacity). Tanks are constructed in accordance with the American Society of Mechanical Engineers (ASME) Code and generally range in size from 120 gallons water capacity to 30,000 gallons water capacity.

III. Metered Sales

Some of the Operating Partnership's propane sales will be to customers whose usage is measured by meter ("Metered Sales"). Metered Sales may be to single family homes, condominiums, apartment buildings, subdivisions, trailer parks, and businesses in commercial developments such as strip malls. A metered customer in a single family home may have exclusive use of a container, or may be connected by pipe to a centrally located, portable storage tank that is shared with other customers, each of whose usage is metered.(5) When several customers share storage containers, the containers, pipes, and meters in most cases are contained within the boundaries of the customers' shared common premises. Today, in new installations, the number of individual customers served by a single container almost always is limited to nine or less to avoid issues arising under the Pipeline Safety Act.(6)

All propane supplied to customers will be supplied in the same way, no matter whether the storage tank is used by a single customer or several customers. Propane will be delivered in enclosed portable containers, i.e., by bobtail or transport, and stored in enclosed portable containers. The Operating Partnership will not deliver propane to metered customers by pipeline. Metered customers' containers may be installed and owned by the Operating Partnership, but the Operating Partnership also may sell the containers to the customers or property owner (e.g., the owner of a trailer park or an apartment building). In almost all circumstances meters will be installed, owned and serviced by the Operating Partnership.

Pipes needed to feed propane from the storage containers to the customers, homes or businesses may be owned by the property owner, the Operating Partnership, or both. For example, the Operating Partnership may have a contract to supply propane to a mobile home park for a ten year period. The Operating Partnership will provide one or more central storage containers that connect to the trailers through underground pipes. The Operating Partnership may install the containers and pipes and sell them to the owner of the property, either immediately upon installation or over the period of the contract, or it will retain ownership of the containers

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(5) Customers who share a common storage tank will not necessarily pay the Operating Partnership directly for their propane usage. In some cases, such as an apartment building, the owner or management of the building may pay for all propane usage by tenants and factor the cost into the tenants' rent. In other cases, each customer may be separately billed by the Operating Partnership.

(6) This type of metered service to residences most often is provided where a new housing development is being constructed beyond the service area of the local natural gas utility. If the developer wants to offer home buyers the option of gas appliances, it will install equipment and piping and provide propane, with the expectation that the homes will be converted to natural gas when that service reaches the area.

and pipes and use them to sell propane to the property owner at his meter.(7) In each case, the Operating Partnership will install, service and retain ownership of the meters.

IV. Competition

Propane competes with other energy sources, primarily fuel oil and electricity. Propane generally is less expensive than electricity and more expensive, but also more efficient and cleaner, than fuel oil. Propane generally is not competitive with natural gas, which is less expensive than propane, except for certain industrial uses. Therefore, many propane markets are located in areas not served by natural gas.

Competition in the propane retail market is primarily local in nature. The Operating Partnership will compete with several large, full service marketers and approximately 8,000 small independent operators, as well as with marketers of fuel oil and electricity. The ten largest propane companies serve less than 35% of the domestic retail market for propane.

In addition, propane competes with gasoline and diesel fuel in the engine fuel market and the wholesale market for propane is very competitive. Retail distributors, who will purchase a significant amount of the propane that will be sold at wholesale by the Operating Partnership, generally require propane suppliers to submit bids for proposed sales. Propane sales to industrial end users also involve competitive pricing, particularly as some industrial users of propane also have the capacity to use other fuels, such as fuel oil.

V. Section 2(a)(4)

Section 2(a)(4) of the Act defines "gas utility company" to mean

> any company which owns or operates facilities used for the distribution at retail (other than distribution only in enclosed portable containers, or distribution to tenants or employees of the company operating such facilities for their own use and not for resale) of natural or manufactured gas for heat, light or power.(8)

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(7) When the Operating Partnership supplies propane to an apartment building, the storage tank will be located outside the building and connected to individual apartments by pipe and meter. The Operating Partnership may own the container and external pipes or may sell them to the building owner. However, the Operating Partnership will not own the pipes inside the building that feed the propane to individual units.

(8) Section 2(a)(4) also provides that the Commission, upon application, shall by order declare a company operating any such facilities not to be a "gas utility company" if the Commission finds that:

(A) such company is primarily engaged in one or more businesses other than the business of a gas utility company, and

Propane distributors such as HHI's subsidiaries generally have relied upon the provisions of Rule 7 and the "distribution only in enclosed portable containers" exclusion from the definition of "gas utility company." However, due to uncertainty about the applicability of the phrase "distribution only in enclosed portable containers" to the delivery of propane by truck to a centrally located container serving more than one customer, some propane companies have sought and received Commission orders under Section 2(a)(4) declaring that they are not "gas utility companies."(9) The applications for such orders and the orders themselves were premised, in part, on the "small amounts" of propane sold to metered customers who used shared storage containers, both as a percentage of the applicant's total revenues and as a total dollar amount.(10)

In April of 1995, UGI Corporation ("UGI") sought and obtained a "no action" letter based on circumstances almost identical to those presented here.(11) UGI's claim for exemption was based on the fact that the exclusionary phrase "other than distribution only in enclosed portable containers" in the Section 2(a)(4) definition of "gas utility company" can and should be construed to include the facilities described in their letter which are those described herein that are used to distribute propane gas to metered customers who share storage containers. This is because the method by which propane is delivered to those metered customers is virtually the same as that by which propane is delivered to all other customers by means of enclosed portable containers.

As described above, the Operating Partnership will deliver propane to metered customers by bobtail or transport and pump the propane from the truck into a centrally located enclosed portable container from which it will be dispensed as used by the customers. The Commission orders cited earlier have implicitly recognized that propane delivered by a bobtail truck is delivered in an "enclosed portable container." While metered customers who share storage containers incidentally require pipes to carry the propane from the central storage container to their homes, businesses, equipment or appliances, and a meter is attached to track each customer's usage, this does not alter the fact that the propane is delivered to metered customers and stored for their use in "enclosed portable containers." Further, even a non-metered customer

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(B) by reason of the small amount of natural or manufactured gas distributed at retail by such company it is not necessary in the public interest or for the protection of investors or consumers that such company be considered a gas utility company for purposes of [the Act].

(9) See, e.g., Petrolane Gas Service Limited partnership, Holding Co. Act Release No. 25846 (July 7, 1993); AmeriGas Propane, Inc., Holding Co. Act Release No. 25434 (Dec. 20, 1991); AP Propane, Inc., Holding Co. Act Release No. 24537 (Dec. 23, 1987); Cal Gas Corporation, Holding Co. Act Release No. 24407 (June 10, 1987); National Propane Corp., Holding Co. Act Release No. 23083 (Oct. 11, 1983); and General Development, Utilities, Inc., Holding Co. Act Release No. 14494 (Jan. 10, 1964).

(10) See Section 2(a)(4) of the Act.

(11) See SEC Ref. No. 97-7-OPUR, UGI Corp. File No. 132-3 (April 5, 1995).

who has exclusive use of a storage container must use a small amount of pipe to feed the propane from the container into his or her home or business and to connect with the propane-fueled appliance or apparatus. The only differences are that some metered customers share an enclosed portable container, whereas other customers each have the exclusive use of a single container, and that the enclosed portable container shared by several customers will often be larger than the container used by an individual customer.

The interpretation that the phrase "distribution only in enclosed portable containers" includes the distribution of propane using centrally located enclosed portable containers serving several customers also would be consistent with the policies and purposes of the Act and the Commission position on enforcement expressed to UGI by the Staff's April 14, 1995 "no action" response.

VI. Conclusion

For the reasons stated above, we would respectfully ask that the Staff concur in the case of HHI and HPP, as it did for UGI, that the phrase "distribution only in enclosed portable containers" includes the delivery of propane by truck to containers that are shared by multiple customers whose usage is measured by meter. In the alternative, we would respectfully request that the Staff agree that the propane business as described in this letter is not the business of a gas utility company.

Please call me or H. Wayne Cooper at (918) 582-1211 if you need any additional information or have any questions.

Very truly yours,

Lawrence T. Chambers, Jr. of
DOERNER, SAUNDERS, DANIEL & ANDERSON

LTC/prb

CC: Sidney L. Cimmet
Senior Special Counsel (Public Utility Regulation)
Office of Public Utility Regulation
Division of Investment Management

James W. Moeller
Office of Public Utility Regulation
Division of Investment Management

James E. Bertelsmeyer
R. C. Mills
H. Michael Krimbill
H. Wayne Cooper

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

OFFICE OF
PUBLIC UTILITY REGULATION

June 19, 1996

Lawrence T. Chambers, Jr., Esq.
Doerner, Saunders, Daniel & Anderson
320 South Boston Avenue
Suite No. 500
Tulsa, Oklahoma 74103-3725

Re: Heritage Holdings, Inc.
File No. 132-3

Dear Mr. Chambers:

Enclosed is our response to your letter of April 26, 1996. Through incorporation of our answer into the enclosed copy of your letter, we avoid the need to recite or summarize the facts involved.

Sincerely yours,

James W. Moeller
Staff Attorney

Enclosures

RESPONSE OF THE OFFICE OF
PUBLIC UTILITY REGULATION

Our Ref. No. 96-11-OPUR
Heritage Holdings, Inc.

DIVISION OF INVESTMENT MANAGEMENT

File No. 132-2

Based on the facts and representations in your letter of April 26, 1996, we would not recommend any enforcement action to the Commission under the Public Utility Holding Company Act of 1935, including section 2(a)(4), against either Heritage Holdings, Inc. ("HHI") or Heritage Propane Partners, L.P. ("HPP") in the event that HHI or HPP engages in deliveries of propane gas in containers built or mounted on trucks to customers who share a common storage container that is connected by pipe to their homes or businesses and whose usage of the propane gas is measured by meters.

Because this position is based on the representations and facts in your letter, you should note that any different facts or conditions might require a different conclusion. Further, this response expresses only the Division's position on enforcement action. It does not purport to express any legal conclusion on the questions presented.

James W. Moeller
Staff Attorney

June 19, 1996

[ANDREWS & KURTH L.L.P. LETTERHEAD]

August 10, 2000

Wilmington Trust Company, as Collateral Agent
under Certain Documents Referred to in the
Referenced Opinions

To each of the Purchasers listed on Schedule I
attached hereto

Re: Heritage Operating, L.P.
Heritage Holdings, Inc.

Ladies and Gentlemen:

We acted as special New York and Texas counsel for Heritage Operating, L.P., a Delaware limited partnership (the "Operating Partnership"), and its general partner, Heritage Holdings, Inc. ("Heritage"), in connection with the Note Purchase Agreement, dated as of June 25, 1996 (the "Note Agreement"), among Heritage, the Operating Partnership and the several Purchasers listed in the Purchaser Schedule attached thereto (the "Purchasers"). We refer to (i) our opinion, dated July 28, 1996, delivered to the Purchasers pursuant to Section 3B of the Note Agreement (the "Note Agreement Opinion"), and (ii) our opinion, dated July 28, 1996, to the Purchasers and certain other persons with respect to certain matters of Texas law (the "Texas Law Opinion" and, together with the "Note Agreement Opinion," the "Original Opinions"). Capitalized terms used in this letter without definition shall have the meanings assigned to such terms in the Note Agreement Opinion.

In your capacity, as the case may be, as the Purchasers listed on Schedule I attached hereto or as Collateral Agent under certain Documents referred to the Original Opinions (the "Documents"), you may rely on the Original Opinions as if they had been addressed to you as of July 28, 1996 (but not as of any subsequent date), subject to the assumptions, limitations and qualifications set forth therein.

We express no opinion as to any change of law or factual circumstances subsequent to the date of the Original Opinions, as to any agreements, instruments or documents other than the Documents as in effect on the date of the Original Opinions or as to whether any incurrence of indebtedness or other transaction subsequent to the date of the Original Opinions is in compliance with the Documents or entitled to any of the benefits thereof.

This opinion is furnished to you solely for your benefit as Collateral Agent, or the Purchasers, as the case may be, and for the benefit of any institutional investors which are transferees of the Notes (assuming such transfer was in compliance with applicable laws and the terms and conditions of the Agreement) and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our express written permission; provided that you may provide a copy of this opinion letter to the National Association of Insurance Commissioners for compliance purposes only.

Very truly yours,

SCHEDULE I

John Hancock Life Insurance Company

John Hancock Variable Life Insurance Company

Mellon Bank, N.A., Trustee for the Bell Atlantic Master Trust

Mellon Bank, N.A., Trustee under the Long-Term Investment Trust Date October 1, 1996

Clarica Life Insurance Company-U.S.

Connecticut General Life Insurance Company (nominee is CIG & Co.)

Life Insurance Company of North America (nominee is CIG & Co.)

GE Edison Life Insurance Company (nominee is Salkeld & Co.)

The Guardian Life Insurance Company of America (nominee is Cudd & Co.)

Metropolitan Life Insurance Company

Nationwide Life Insurance Company

Nationwide Life and Annuity Insurance Company

Nationwide Mutual Fire Insurance Company

Nationwide Mutual Insurance Company

Pacific Life Insurance Company (nominee MAC & Co.)

Commercial Union Life Insurance Company of America

Principal Life Insurance Company

Reliastar Life Insurance Company

Reliastar Life Insurance Company of New York

Northern Life Insurance Company

Sun Life Assurance Company of Canada

Sun Life Assurance Company of Canada (U.S.)

Sun Life Insurance and Annuity Company of New York

EXHIBIT C-4
(to Note Purchase Agreement)

[DOERNER, SAUNDERS, DANIEL & ANDERSON, L.L.P. LETTERHEAD]

August 10, 2000

Wilmington Trust Company as
Collateral Agent under Certain
Documents Referred to in the
Referenced Opinion

To each of the Purchasers listed on
Schedule I attached hereto

Ladies and Gentlemen:

We acted as special counsel for Heritage Operating, L.P., a Delaware limited partnership (the "Operating Partnership"), and its general partner, Heritage Holdings, Inc. ("Heritage"), in connection with the Note Purchase Agreement dated as of June 25, 1996 (the "Note Agreement"), among Heritage, the Operating Partnership and the several Purchasers listed in the Purchaser Schedule attached thereto, and the Note Purchase Agreement (the "Loan Agreement"), dated August 10, 2000, among the Operating Partnership and the _____ Purchasers listed in the Purchaser schedule attached thereto (the "Purchasers"). We refer to our opinion dated July 28, 1996, delivered to the Purchasers pursuant to Section 3B of the Note Agreement (the "Note Agreement Opinion"). Capitalized terms used in this letter without definition shall have the meanings assigned to such terms in the Loan Agreement.

In your capacity, as the case may be, as the Purchasers or as the Collateral Agent under certain Documents referred to in the Note Agreement Opinion, you may rely on the Note Agreement Opinion as if it had been addressed to you as of July 28, 1996 (but not as of any subsequent date), subject to the assumptions, limitations and qualifications set forth therein.

We express no opinion as to any change of law or factual circumstances subsequent to the date of the Note Agreement Opinion, as to any agreements, instruments or documents other than the Documents as in effect on the date of the Note Agreement Opinion or as to whether any incurrence of indebtedness or other transaction subsequent to the date of the Note Agreement Opinion is in compliance with the Documents or entitled to any of the benefits thereof.

Very truly yours,

EXHIBIT C-4
(to Note Purchase Agreement)

SCHEDULE 5Q

NAME OF COUNSEL	DATE OF ORIGINAL OPINION
Phillips and Phillips, special Alabama counsel	January 14, 2000
Osborn Maledon, P.A. special Arizona counsel	June 28, 1996
Robert T. Haden, P.C. special California counsel	June 28, 1996
Patterson & Green, P.A., special Florida counsel	June 28, 1996
Robert L. Brown III, special Kentucky counsel	October 20, 1997
Fleckinger & Plachta, P.C., special Michigan counsel	June 28, 1996
Crowley, Haughey, Hanson, Toole & Dietrich , P.L.L.P., special Montana counsel	June 28, 1996
Keleher & McLeod, P.A., special New Mexico counsel	June 28, 1996
Poyner & Spruill, L.L.P., special North Carolina counsel	June 28, 1996
Land, Parker & Reaves, P.A., special South Carolina counsel	August 7, 2000
Dubois and Dubois, P.C., special Tennessee counsel	October 13, 1997
Andrews & Kurth L.L.P., special Texas counsel	June 28, 1996
Hillis Clark Martin & Paterson, P.S., special Washington counsel	June 28, 1996

SCHEDULE 6C

LIENS

None.

SCHEDULE 6E

INVESTMENTS

1. 50% ownership of Bi-State Propane, a California general partnership ("Bi-State"), and on-going advances to Bi-State pursuant to the Administrative Services Agreement between Bi-State and Heritage.

SCHEDULE 8B

SUBSIDIARIES OF OPERATING PARTNERSHIP

1. Heritage Service Corp., a Delaware corporation (100% owned).

2. Heritage-Bi-State, L.L.C., a Delaware limited liability company (99% owned).

3. M-P Oils, Ltd., an Alberta corporation (100% owned).

4. M-P Energy Partnership, an Alberta partnership, 60% owned by M-P Oils, Ltd.

5. Guilford Gas, Inc., a North Carolina corporation (100% owned).

6. Heritage Energy Resources, L.L.C., an Oklahoma limited liability company (100% owned).

SCHEDULE 8C

FOREIGN QUALIFICATION

HERITAGE OPERATING, L.P.

1. Alabama
2. Arizona
3. California
4. Colorado
5. Delaware
6. Florida
7. Georgia
8. Idaho
9. Kentucky
10. Maryland
11. Massachusetts
12. Michigan
13. Minnesota
14. Mississippi
15. Montana
16. New Hampshire
17. New Jersey
18. New Mexico
19. New York
20. North Carolina
21. Oklahoma
22. Oregon
23. Pennsylvania
24. South Carolina
25. Tennessee
26. Texas
27. Vermont
28. Washington

HERITAGE - BI-STATE, L.L.C.

1. California
2. Delaware
3. Nevada
4. Oklahoma

M-P OILS, LTD.

1. Alberta, Canada

HERITAGE SERVICE CORP.

1. Arizona
2. California
3. Colorado
4. Delaware
5. Florida
6. Idaho
7. Massachusetts
8. Michigan
9. Minnesota
10. Montana
11. New Mexico
12. North Carolina
13. Oklahoma
14. Oregon
15. South Carolina
16. Texas
17. Washington

SCHEDULE 8G

OTHER INDEBTEDNESS OF
BORROWER AND SUBSIDIARIES

1. Borrower's indebtedness for the Private Placement Notes (1996 Senior Secured Notes - $120,000,000; 1997 Senior Secured Series A Notes - $12,000,000; 1997 Senior Secured Series B Notes - $20,000,000; 1997 Senior Secured Series C Notes - $4,285,714.29; 1997 Senior Secured Series D Notes - $5,000,000; and 1997 Senior Secured Series E Notes - $5,000,000).

2. Borrower's and Subsidiaries indebtedness for the Bank Credit Facility ($71,650,000).

3. Indebtedness of M-P Energy, Partnership to Bank of Montreal, from time to time as required for working capital purposes (None).

4. Various purchase money indebtedness ($1,165,344).

5. Various noncompete indebtedness ($13,661,205).

SCHEDULE 8H

TITLE TO PROPERTIES

None.

SCHEDULE 8W

LABOR MATTERS

1. Collective Bargaining Agreement between PNG Propane Company and Green's Fuel Company, Divisions of Piedmont Natural Gas Company, Inc. and Local 1902, International Brotherhood of Electrical Workers.

2. Labor Agreement between Peoples Gas and International Brotherhood of Electrical Workers, Local 2072, of Miami, Lakeland, Daytona Beach and Eustis, Florida.

Upon consummation of the U.S. Propane Acquisition, the Company believes that neither it nor its Subsidiaries will be subject to the above referenced Agreements.

SCHEDULE 9B

SOURCE OF FUNDS

Sun Life Assurance Company of Console ("Sun Life") will be buying $2,000,000 of the Series F Senior Secured Notes due August 2020 on behalf of a separate account maintained by Sun Life for the benefit of the Employee Retirement Income Plan of Minnesota Mining and Manufacturing Company of St. Paul, Minnesota.

EXHIBIT 99-1

PRESS RELEASE

HERITAGE PROPANE TRANSACTION WITH US PROPANE CLOSES

TULSA, OKLAHOMA AUGUST 10, 2000

HERITAGE PROPANE PARTNERS, L.P. (NYSE:HPG) announced today that its previously announced transaction with U.S. Propane closed today. The combination of the two companies creates the nation's fourth largest retail propane marketer which will distribute over 300 million retail gallons per year through 250 locations in 28 states.

"This is an exciting and unprecedented transaction", said H. Michael Krimbill, Chief Executive Officer of Heritage Holdings, Inc., the General Partner of Heritage Propane Partners. "Not only have we combined five operations that were very successful in their own right, we have established a platform for significant future growth, both internally and through a continued aggressive, but focused acquisition program. This will be made possible because we have retained the entire Heritage management team and strengthened it by the addition of Larry Dagley to that team as Chief Financial Officer."

In a series of transactions, Heritage Propane Partners, L.P. purchased the assets of U.S. Propane, L.P. for cash and limited partner units valued at $181 million. U.S. Propane purchased the stock of Heritage Holdings, Inc., the General Partner of Heritage Propane Partners, L.P. for $120 million cash, of which, approximately, $50 million was then reinvested by the former shareholders of the General Partner in HPG Common and Subordinated Units.

U.S. Propane combined the propane operations of AGL Resources (NYSE:ATG), Atmos Energy Corporation (NYSE ATO), Piedmont Natural Gas Co., Inc. (NYSE:PNY), and TECO Energy, Inc. (NYSE:TE).

Glaucon Capital Partners, L.L.C. acted as debt placement agent to Heritage Propane Partners, L.P.

Contact: H. Michael Krimbill
918-492-7272

Press/USPropaneMerger.pjb