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 Earliest Event Reported: December 12, 2001

Date of Report: December 12, 2001

Ferrellgas Partners, L.P.
Ferrellgas Partners Finance Corp.

(Exact name of registrants as specified in their charters)

(States or other jurisdictions of incorporation or organization)	Commission file numbers	(I.R.S. Employer Identification Nos.)
Delaware	1-111331	43-1698480
Delaware	333-06693	43-1742520

One Liberty Plaza, Liberty, Missouri 64068

(Address of principal executive offices) (Zip Code)

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

ITEM 5. OTHER EVENTS

Ferrellgas, Inc., the General Partner of Ferrellgas Partners, L.P., balance sheets as of July 31, 2001 and 2000, have been audited by an independent auditor. See exhibit 99.15 for the audited financial statements.

These audited balance sheets and independent auditor's opinion will be incorporated by reference to Post-Effective Amendment No. 1 to Registration Statement No. 33-55185 of Ferrellgas Partners, L.P. on Form S-4 to Form S-1 and in Amendment No. 1 to Registration Statement No. 333-71111 of Ferrellgas Partners, L.P. and Ferrellgas Partners Finance Corp. on Form S-3. See exhibit 23.1 for independent auditor's consent.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

The Exhibits listed in the Index to Exhibits are filed as part of this Current Report on Form 8-K.

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

FERRELLGAS PARTNERS, L.P.

By Ferrellgas, Inc. (General Partner)

Date: December 12, 2001

By /s/ Kevin T. Kelly

Kevin T. Kelly
Senior Vice President and
Chief Financial Officer (Principal
Financial and Accounting Officer)

FERRELLGAS PARTNERS FINANCE CORP.

Date: December 12, 2001

By /s/ Kevin T. Kelly

Kevin T. Kelly
Senior Vice President and
Chief Financial Officer (Principal
Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit No.	Description of Exhibit
23.1	Consent of Deloitte & Touche LLP, Independent Auditors.
99.15	Consolidated balance sheets of Ferrellgas, Inc. as of July 31, 2001 and 2000, together with the report of Deloitte & Touche LLP with respect thereto.

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration Statement No. 33-55185 of Ferrellgas Partners, L.P. on Form S-4 to Form S-1 and in Amendment No. 1 to Registration Statement No. 333-71111 of Ferrellgas Partners, L.P. and Ferrellgas Partners Finance Corp. on Form S-3 of our report dated September 21, 2001 relating to the consolidated balance sheets of Ferrellgas, Inc. and Subsidiaries as of July 31, 2001 and 2000, appearing in this Form 8-K.

DELOITTE & TOUCHE LLP
Kansas City, Missouri
December 7, 2001

Exhibit 99.15

Ferrellgas, Inc. and Subsidiaries
Consolidated Balance Sheets as of July 31, 2001 and 2000, and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ferrellgas, Inc. and Subsidiaries
Liberty, Missouri

We have audited the accompanying consolidated balance sheets of Ferrellgas, Inc. and subsidiaries (the "Company") as of July 31, 2001 and 2000. These balance sheets are the responsibility of the Company's management. Our responsibility is to express an opinion on these balance sheets based on our audits.

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

In our opinion, such consolidated balance sheets present fairly, in all material respects, the financial position of the Company as of July 31, 2001 and 2000, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Kansas City, Missouri
September 21, 2001

FERRELLGAS, INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Ferrell Companies, Inc.)

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	July 31,	
ASSETS	2001	2000
Current Assets:		
Cash and cash equivalents	$ 27,017	$ 16,007
Accounts and notes receivable (net of allowance for doubtful accounts of $3,159 and $2,388 in 2001 and 2000, respectively)	56,815	89,801
Inventories	65,284	71,979
Prepaid expenses and other current assets	10,504	8,275
Total Current Assets	159,620	186,062
Property, plant and equipment, net	556,005	583,342
Intangible assets, net	469,862	501,836
Other assets, net	16,162	10,425
Total Assets	$1,201,649	$1,281,665
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIENCY)		
Current Liabilities:		
Accounts payable	$ 58,274	$ 95,264
Other current liabilities	77,324	77,714
Short-term borrowings	-	18,342
Total Current Liabilities	135,598	191,320
Long-term debt	704,782	718,118
Deferred income taxes	1,726	1,931
Other liabilities	15,472	16,176
Contingencies and commitments (Note J)	-	-
Minority interest	188,254	179,786
Parent investment in subsidiary	220,083	228,300
Stockholder's Equity (Deficiency):		
Common stock, $1 par value; 10,000 shares authorized; 990 shares issued	1	1
Additional paid-in-capital	13,476	13,361
Note receivable from parent	(147,607)	(146,102)
Retained earnings	72,245	78,774
Accumulated other comprehensive loss	(2,381)	-
Total Stockholder's Equity (Deficiency)	(64,266)	(53,966)
Total Liabilities and Stockholder's Equity (Deficiency)	$1,201,649	$1,281,665

FERRELLGAS, INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Ferrell Companies, Inc.)

NOTES TO CONSOLIDATED BALANCE SHEETS

A. Organization and Formation

The accompanying consolidated balance sheets and related notes present the consolidated financial position of Ferrellgas, Inc. (the "Company"), its subsidiaries and its partnership interest in Ferrellgas Partners, L.P and subsidiaries. The Company is a wholly-owned subsidiary of Ferrell Companies, Inc. ("Ferrell" or "Parent").

On July 5, 1994, Ferrellgas Partners, L.P. (the "MLP") completed an initial public offering of common units representing limited partner interests (the "common units"). The MLP was formed April 19, 1994, and is a publicly traded limited partnership, owning a 99% limited partner interest in Ferrellgas, L.P. (the "Operating Partnership" or "OLP"). The MLP and the OLP (collectively referred to as the "Partnership") are both Delaware limited partnerships. The MLP was formed to acquire and hold a limited partner interest in the Operating Partnership. The OLP was formed to acquire, own and operate the propane business and assets of the Company. The Company owns an effective 2% general partner interest in the Partnership and performs all management functions required for the Partnership.

Concurrent with the closing of the offering, the Company contributed all of its propane business and assets to the Partnership in exchange for 17,593,721 common units and Incentive Distribution Rights as well as a 2% general partner interest in the MLP and the OLP on a combined basis.

In July 1998, the Company transferred its entire limited partnership ownership of the MLP to Ferrell. Also during July 1998, 100% of the outstanding common stock of Ferrell was purchased from Mr. James E. Ferrell and his family by a leveraged employee stock ownership trust (the "ESOT") established pursuant to the Ferrell Companies, Inc. Employee Stock Ownership Plan (the "ESOP").

On December 17, 1999, the MLP partnership agreement was amended to allow for the issuance of a newly created senior unit, in connection with an acquisition. Generally, these senior units were to be paid quarterly distributions in additional senior units equal to 10% per annum. Also, the senior units were structured to allow for a redemption by the MLP at any time, in whole or in part, upon payment in cash of the liquidating value of the senior units, currently $40 per unit, plus the amount of any accrued and unpaid distributions. The holder of the senior units also had the right, at dates in the future and subject to certain events and conditions, to convert any outstanding senior units into common units.

On June 5, 2000, the MLP and the OLP partnership agreements were amended to allow the Company to have an option in maintaining its effective 2% general partner interest concurrent with the issuance of other additional equity. Prior to this amendment, the Company was required to make capital contributions to maintain its effective 2% general partner interest with the issuance of any additional equity. Also as part of this amendment, the Company's interest in the MLP's common units was converted from a general partner interest to general partner units.

On April 6, 2001, the MLP partnership agreement was amended to reflect modifications made to the senior units, previously issued on December 17, 1999, and the common units owned by Ferrell. The senior units are to be paid quarterly distributions in cash equivalent to 10% per annum or $4 per senior unit. The amendment also granted the holder of the senior units the right, subject to certain events and conditions, to convert any outstanding senior units into common units at the earlier of December 31, 2005 or upon the occurrence of a material event as defined by the partnership agreement. Also as part of the amendment, Ferrell granted the Partnership the ability to defer future distributions on the common units held by it, up to an aggregate outstanding amount of $36,000,000, until December 31, 2005.

B. Summary of Significant Accounting Policies

(1) Nature of operations: The Company's operations are limited to those activities associated with the Partnership. The Partnership is engaged primarily in the retail distribution of propane and related equipment and supplies in the United States. The retail market is seasonal because propane is used primarily for heating in residential and commercial buildings. The Partnership serves approximately 1,100,000 residential, industrial/commercial and agricultural customers.

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

(3) Principles of consolidation: The consolidated balance sheets include the accounts of the Company, its subsidiaries and the Partnership. The minority interest includes limited partner interests in the MLP's common units held by the public and the MLP's senior units (See Notes H and N). The limited partner interest owned by Ferrell is reflected as "Parent investment in subsidiary" in the consolidated balance sheets. All material intercompany transactions and balances have been eliminated.

(4) Cash and cash equivalents: The Company considers cash equivalents to include all highly liquid debt instruments purchased with an original maturity of three months or less.

(5) Inventories: Inventories are stated at the lower of cost or market using average cost and actual cost methods. The Company enters into commodity derivative contracts involving propane and related products to hedge, reduce risk and anticipate market movements. The fair value of these derivative contracts is classified as inventory.

(6) Property, plant and equipment: Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures for maintenance and routine repairs are expensed as incurred. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets ranging from two to 30 years. In the first quarter of fiscal 2001, the Company increased the estimate of the residual values of its existing customer and storage tanks. This change in accounting estimate resulted from a review by management of its tank values established through an independent tank valuation obtained in connection with a financing completed in December 1999. The Company, using its best estimates based on reasonable and supportable assumptions and projections, reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of its assets might not be recoverable.

(7) Goodwill and intangible assets: Intangible assets, consisting primarily of customer lists, trademarks, assembled workforce, goodwill, and noncompete notes, are stated at cost, net of amortization calculated using either straight-line or accelerated methods over periods ranging from five to 40 years. The Company reviews identifiable intangibles for impairment in a similar manner as with long-lived assets. See "Adoption of new accounting standards" below for a related discussion of the effect of a new accounting pronouncement, Statement of Financial Accounting Standards (SFAS) No. 142, on goodwill and intangible assets.

(8) Accounting for derivative commodity contracts: The Company enters into commodity options involving propane and related products to specifically hedge certain product cost risk. Any changes in the fair value of these specific cash flow hedge positions are deferred and included in other comprehensive income and recognized as an adjustment to the overall purchase price of product in the month the purchase contract is settled. The Company also enters into other commodity forward and futures purchase/sale agreements and commodity swaps and options involving propane and related products, which are not specific hedges to a certain product cost risk, but are used for risk management purposes. To the extent such contracts are entered into at fixed prices and thereby subject the Company to market risk, the contracts are accounted for using the fair value method. Under this valuation method, derivatives are carried on the consolidated balance sheets at fair value with changes in that value recognized in earnings.

(9) Income taxes: The Company is treated as a Subchapter S corporation for Federal income tax purposes and is liable for income tax in states that do not recognize Subchapter S status. Income taxes were computed as though each company filed its own income tax return in accordance with the Company's tax sharing agreement. Deferred income taxes are provided as a result of temporary differences between financial and tax reporting, as described in Note G, using the asset/liability method.

(10) Unit and stock-based compensation: The Company accounts for its Unit Option Plan and the Ferrell Companies Incentive Compensation Plan using the intrinsic value method under the provisions of Accounting Principles Board (APB) No. 25, "Accounting for Stock Issued to Employees."

(11) Segment information: The Company is a single reportable operating segment engaging in the retail distribution of propane and related equipment and supplies and all of its long-lived assets are located in the U.S.

(12) Adoption of new accounting standards: The Financial Accounting Standards Board (FASB) recently issued SFAS No. 141 "Business Combinations", SFAS No. 142 "Goodwill and Other Intangible Assets", SFAS No. 143 "Accounting for Asset Retirement Obligations" and SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets."

SFAS No. 141 requirements include, among other things, that all business combinations be accounted for by a single method - the purchase method. It applies to all business combinations initiated after June 30, 2001. The Company has historically accounted for business combinations using the purchase method, therefore, this new standard will not have a substantial impact on how the Company accounts for future combinations.

SFAS No. 142 modifies the financial accounting and reporting for acquired goodwill and other intangible assets, including the requirement that goodwill and some intangible assets no longer be amortized. Also some intangibles will be reclassified to goodwill. The Company has elected to adopt SFAS No. 142 beginning in the first quarter of fiscal 2002. Although there will be no cash flow effect, the Company believes its amortization expense will decrease by approximately $17,000,000 in fiscal 2002, compared to the amortization that would have been recorded had the new accounting standard not been issued. This new standard also requires the Company to test goodwill for impairment at the time the standard is adopted and also on an annual basis. The Company believes that the results of the initial impairment test of goodwill performed at the time the standard is adopted will not have a material effect on its financial position.

SFAS No. 143 requires the recognition of a liability if a company has a legal or contractual financial obligation in connection with the retirement of a tangible long-lived asset. The Company expects to implement SFAS No. 143 beginning in the fiscal year ending July 31, 2003, and is currently assessing its effect on the Company's financial position.

SFAS No. 144 modifies the financial accounting and reporting for long-lived assets to be disposed of by sale and it broadens the presentation of discontinued operations to include more disposal transactions. The Company expects to implement SFAS No. 144 beginning in the fiscal year ending July 31, 2003, and is currently assessing its effect on the Company's financial position.

(13) Reclassifications: Certain reclassifications have been made to the prior year's consolidated balance sheet to conform to the current year's consolidated balance sheet presentation.

C. Supplemental Balance Sheet Information

Inventories consist of:

(in thousands)	2001	2000
Liquefied propane gas and related products	$45,966	$50,868
Appliances, parts and supplies	19,318	21,111
	$65,284	$71,979

In addition to inventories on hand, the Company enters into contracts to buy product for supply purposes. Nearly all of these contracts have terms of less than one year and most call for payment based on market prices at the date of delivery. All fixed price contracts have terms of less than one year. As of July 31, 2001, in addition to the inventory on hand, the Company had committed to take net delivery of approximately 3,754,000 gallons at a fixed price for its future retail propane sales.

Property, plant and equipment consist of:

(in thousands)	2001	2000
Land and improvements	$41,191	$40,761
Buildings and improvements	54,384	54,794
Vehicles	76,611	78,490
Furniture and fixtures	35,138	32,844
Bulk equipment and district facilities	90,930	88,289
Tanks and customer equipment	550,373	560,397
Other	3,281	3,753
	851,908	859,328
Less: accumulated depreciation	295,903	275,986
	$556,005	$583,342

Intangibles consist of:

(in thousands)	2001	2000
Customer lists	$207,667	$207,478
Goodwill	400,569	398,974
Noncompete agreements	60,222	59,905
Assembled workforce	9,600	9,600
Other	168	391
	678,226	676,348
Less: accumulated amortization	208,364	174,512
	$469,862	$501,836

Other current liabilities consist of:

	2001	2000
Accrued interest	$22,816	$21,659
Accrued payroll	20,236	15,073
Accrued insurance	8,056	4,770
Other	26,216	36,212
	$77,324	$77,714

D. Accounts Receivable Securitization

On September 26, 2000, the OLP entered into an account receivable securitization facility with Bank One, NA. As part of this 364-day facility, the OLP transferred an interest in a pool of its trade accounts receivable to its wholly-owned, special purpose subsidiary, Ferrellgas Receivables, LLC. Ferrellgas Receivables then sold its interest to a commercial paper conduit of Banc One, NA. The OLP remits daily to Ferrellgas Receivables funds collected on the pool of trade receivables held by Ferrellgas Receivables. The Company intends to renew the facility effective September 25, 2001 for a one year commitment with Bank One, NA. From the inception of this facility in September 2000 through July 31, 2001, the cash flows related to this facility between the OLP and Ferrellgas Receivables are detailed as follows:

(in thousands)	2001
Proceeds from new securitizations	$115,000
Proceeds from collections reinvested in revolving period securitizations	725,955
Remittance of amounts collected on securitizations	(809,955)
Net proceeds from accounts receivable securitization	$31,000
Cash invested in unconsolidated subsidiary	$ 3,399

The level of funding available from this facility is currently limited to $60,000,000. In accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," this transaction is reflected on the Company's consolidated balance sheets as a sale of accounts receivable and an investment in an unconsolidated subsidiary. The OLP retained servicing rights and the right to collect finance charges, however, the assets related to these retained interests at July 31, 2001, had no material effect on the consolidated balance sheet.

The investment in the unconsolidated subsidiary related to this facility was $7,225,000 at July 31, 2001 and is classified within "other assets" on the consolidated balance sheet.

E. Long-Term Debt

Long-term debt consists of:

(in thousands)	2001	2000
Senior Notes		
Fixed rate, 7.16% due 2005-2013 (1)	$350,000	$350,000
Fixed rate, 9.375%, due 2006 (2)	160,000	160,000
Fixed rate, 8.8%, due 2006-2009 (3)	184,000	184,000
Credit Agreement		
Revolving credit loans 8.9% due 2003 (4)	-	11,658
Notes payable, 7.9% and 7.5% weighted average interest rates, respectively, due 2001 to 2009	12,566	15,988
	706,566	721,646
Less: current portion, included in other current liabilities	1,784	3,528
	$704,782	$718,118

(1) The OLP fixed rate Senior Notes ("$350 million Senior Notes"), issued in August 1998, are general unsecured obligations of the OLP and rank on an equal basis in right of payment with all senior indebtedness of the OLP and senior to all subordinated indebtedness of the OLP. The outstanding principal amount of the Series A, B, C, D and E Notes shall be due on August 1, 2005, 2006, 2008, 2010, and 2013, respectively. In general, the OLP does not have the option to prepay the Notes prior to maturity without incurring prepayment penalties.

(2) The MLP fixed rate Senior Secured Notes ("MLP Senior Secured Notes"), issued in April 1996, are redeemable at the option of the MLP, in whole or in part, at any time after June 15, 2001. The notes are secured by the MLP's partnership interest in the OLP. The MLP Senior Secured Notes bear interest from the date of issuance, payable semi-annually in arrears on June 15 and December 15 of each year.

(3) The OLP fixed rate Senior Notes ("$184 million Senior Notes"), issued in February 2000, are general unsecured obligations of the OLP and rank on an equal basis in right of payment with all senior indebtedness of the OLP and senior to all subordinated indebtedness of the OLP. The outstanding principal amount of the Series A, B and C Notes shall be due on August 1, 2006, 2007 and 2009, respectively. In general, the OLP does not have the option to prepay the Notes prior to maturity without incurring prepayment penalties.

(4) At July 31, 2001, the unsecured $157,000,000 Credit Facility (the "Credit Facility"), expiring June 2003, consisted of a $117,000,000 unsecured working capital, general corporate and acquisition facility, including a letter of credit facility, and a $40,000,000 revolving working capital facility. This $40,000,000 facility is subject to an annual reduction in outstanding balances to zero for thirty consecutive days. All borrowings under the Credit Facility bear interest, at the borrower's option, at a rate equal to either a) LIBOR plus an applicable margin varying from 1.25 % to 2.25 % or, b) the bank's base rate plus an applicable margin varying from 0.25 % to 1.25 %. The bank's base rate at July 31, 2001 and 2000 was 6.75% and 9.5%, respectively.

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

Effective April 27, 2000, the MLP entered into an interest rate swap agreement with Bank of America, related to the semi-annual interest payment due on these MLP Senior Secured notes. The swap agreement, which was terminated at the option of the counterparty on June 15, 2001, required the counterparty to pay the stated fixed interest rate every six months. In exchange, the MLP was required to make quarterly floating interest rate payments based on an annual interest rate equal to the three month LIBOR interest rate plus 1.655% applied to the same notional amount of $160,000,000. The Company resumed paying the stated fixed interest rate effective after June 15, 2001.

At July 31, 2001 and 2000, $0 and $18,342,000, respectively, of short-term borrowings were outstanding under the credit facility. Letters of credit outstanding, used primarily to secure obligations under certain insurance arrangements, totaled $46,660,000 and $36,892,000, respectively. Effective July 16, 2001, the credit facility was amended to increase the letter of credit sub-facility availability from $60,000,000 to $80,000,000.

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

The scheduled annual principal payments on long-term debt are to be $1,784,000 in 2002, $2,068,000 in 2003, $2,113,000 in 2004, $2,263,000 in 2005, $271,260,000 in 2006 and $427,078,000 thereafter.

F. Derivatives

SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and SFAS No. 138, requires all derivatives (with certain exceptions), whether designated in hedging relationships or not, to be recorded on the consolidated balance sheet at fair value. As a result of implementing SFAS No. 133 at the beginning of fiscal 2001, the Company recognized in its first quarter of fiscal 2001, gains totaling $709,000 in accumulated other comprehensive income. In addition, beginning in the first quarter of fiscal 2001, the Company recorded subsequent changes in the fair value of positions qualifying as cash flow hedges in accumulated other comprehensive income and changes in the fair value of other positions in the consolidated statements of earnings. The Company's overall objective for entering into derivative contracts for the purchase of product is related to hedging, risk reduction and to anticipate market movements. Other derivatives are entered into to reduce interest rate risk associated with long term debt and lease obligations. Fair value hedges are derivative financial instruments that hedge the exposure to changes in the fair value of an asset or a liability or an identified portion thereof attributable to a particular risk. Cash flow hedges are derivative financial instruments that hedge the exposure to variability in expected future cash flows attributable to a particular risk.

The Company uses cash flow hedges to manage exposures to product purchase price risk and uses both fair value and cash flow hedges to manage exposure to interest rate risks.

Fluctuations in the wholesale cost of propane expose the Company to purchase price risk. The Company purchases propane at various prices that are eventually sold to its customers, exposing the Company to future product price fluctuations. Also, certain forecasted transactions expose the Company to purchase price risk. The Company monitors its purchase price exposures and utilizes product hedges to mitigate the risk of future price

fluctuations. Propane is the only product hedged with the use of product hedge positions. The Company uses derivative products to hedge a portion of its forecasted purchases for up to one year in the future. These derivatives are designated as cash flow hedging instruments. Because these derivatives are designated as cash flow hedges, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income (OCI) and are recognized in the consolidated statements of earnings when the forecasted transaction impacts earnings. The $289,000 risk management fair value adjustment classified as other comprehensive income at July 31, 2001, will be recognized in the consolidated statements of earnings during fiscal 2002. Changes in the fair value of cash flow hedges due to hedge ineffectiveness are recognized in cost of product sold on the consolidated statements of earnings. The fair value of the derivatives related to purchase price risk are classified on the consolidated balance sheets as inventories. The Company also purchases and sells derivatives that are not classified as hedges to manage other risks associated with commodity prices. The changes in fair value of these derivatives are recognized as they occur in cost of product sold on the consolidated statements of earnings.

The Company also uses forward contracts, not designated as hedging instruments under SFAS No. 133, to help reduce the price risk related to sales made to its propane customers. These forward contracts meet the requirement to qualify as normal purchases and sales as defined in SFAS No. 133, as amended by SFAS No. 137 and SFAS No. 138, and thus are not adjusted to fair market value.

As of July 31, 2001, the Company holds $706,566,000 in primarily fixed rate debt and $157,600,000 in variable rate operating leases. Fluctuations in interest rates subject the Company to interest rate risk. Decreases in interest rates increase the fair value of the Company's fixed rate debt, while increases in interest rates subject the Company to the risk of increased interest expense related to its variable rate debt and operating leases.

The Company enters into fair value and cash flow hedges to help reduce its overall interest rate risk. Interest rate swaps were used to hedge the exposure to changes in the fair value of fixed rate debt due to changes in interest rates. The fair value of interest rate derivatives that are considered fair value or cash flow hedges are classified either as other current or long-term assets or as other current or long-term liabilities on the consolidated balance sheets. Changes in the fair value of the fixed rate debt and any related fair value hedges are recognized as they occur in interest expense on the consolidated statements of earnings. There were no such fair value hedges outstanding at July 31, 2001. Interest rate caps are used to hedge the risk associated with rising interest rates and their affect on forecasted transactions related to variable rate debt and lease obligations. These interest rate caps are designated as cash flow hedges and are outstanding at July 31, 2001. Thus, the effective portions of changes in the fair value of the hedges are recorded in OCI at interim periods and are recognized as interest expense in the consolidated statements of earnings when the forecasted transaction impacts earnings. Cash flow hedges are assumed to hedge the risk of changes in cash flows of the hedged risk.

G. Income Taxes

The significant components of the net deferred tax asset (liability) included in the consolidated balance sheets are as follows:

(in thousands)	2001	2000
Deferred tax liabilities:		
Partnership basis difference	$(1,827)	$(2,043)
Deferred tax assets:		
Operating loss and credit carryforwards	101	112
Net deferred tax liability	$(1,726)	$(1,931)

Partnership basis differences are primarily attributable to differences in the tax and book basis of fixed assets and amortizable intangibles resulting from the Company's contribution of assets and liabilities concurrent with the MLP's public offering in 1994.

For Federal income tax purposes, the Company has net operating loss carryforwards of approximately $98,000,000 at July 31, 2001 available to offset future taxable income. These net operating loss carryforwards expire at various dates through 2011.

The Company is potentially subject to the built-in gains tax, which could be incurred on the sale of assets owned as of August 1, 1998, the date of the Subchapter S election, that have a fair market value in excess of their tax basis as of that date. However, the Company anticipates that it can avoid incurring any built-in gains tax liability through utilization of its net operating loss carryovers and tax planning relating to the retention/disposition of assets owned as of August 1, 1998. In the event that the built-in gains tax is not incurred, the Company may not utilize the net operating loss carryforwards.

H. Minority Interest

The minority interest on the consolidated balance sheets includes limited partner interests in both the MLP's common units held by the public and the MLP's senior units held by JEF Capital Management, Inc., an entity owned by James E. Ferrell, Chairman, Chief Executive Officer and President of the general partner. At July 31, 2001, minority interest related to the common units owned by the public was $76,189,000. At July 31, 2000, minority interest related to the common units owned by the public was zero as cash distributions were in excess of its basis. Minority interest related to the senior units was $112,065,000 and $179,786,000 at July 31, 2001 and 2000, respectively. The amount at July 31, 2001 represents the liquidation value of the senior units. The amount at July 31, 2000, represents the liquidation value of $186,108,000 less a net discount of $6,322,000 related to senior unit issuance fees. See Note J for additional information about the senior units.

I. Transactions with Related Parties

The Company has two notes receivable from Ferrell on an unsecured basis due on demand. Because Ferrell no longer intends to repay the notes, the Company did not accrue interest income in fiscal years 2001 and 2000. The balances outstanding on these notes at July 31, 2001 and 2000, were

$147,607,000, and $146,102,000, respectively, and are reported as Note Receivable from Parent in Stockholder's Equity on the consolidated balance sheets. This net increase in the balances in fiscal year 2001 is primarily due to the cash loaned by the Company to Ferrell.

During fiscal 2000, The Williams Companies, Inc. ("Williams") became a related party to the Company due to the Partnership's issuance of 4,375,000 senior units to a subsidiary of Williams as part of the Thermogas acquisition (See Note N). In April 2001, Williams sold all its senior units to JEF Capital Management, Inc., and thereafter, ceased to be a related party of the Company.

During fiscal 2000, Williams provided propane supply and general and administrative services to the Company to assist in the integration of the acquisition. The amount due to Williams at July 31, 2000, was $5,045,000. The amount due from Williams at July 31, 2000, was $13,000.

On April 6, 2001, Williams approved amendments to the MLP partnership agreement related to certain terms of the senior units. Williams then sold all of the senior units for a purchase price of $195,529,000 plus accrued and unpaid distributions to JEF Capital Management. The senior units currently have all the same terms and preference rights in distributions and liquidation as when the units were owned by Williams.

During the fourth quarter of fiscal 2001, the MLP paid to JEF Capital Management $83,464,000 to redeem a total of 2,086,612 senior units and $2,951,000 in senior unit distributions. In a noncash transaction, the MLP accrued a senior unit distribution of $2,801,622 payable to JEF Capital Management on September 14, 2001.

Ferrell International Limited and FI Trading are entities owned by James E. Ferrell and thus affiliates of the Company. In connection with its normal purchasing and risk management activities, the Company entered into, with Ferrell International Limited and FI Trading as a counterparty, certain forward, option and swap contracts. Amounts due from Ferrell International Limited at July 31, 2001 and 2000 were $0 and $1,826,000, respectively. Amounts due to Ferrell International Limited at July 31, 2001 and 2000 were $0 and $1,484,000, respectively.

J. Contingencies and Commitments

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

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

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

Effective June 2, 2000, the OLP entered into an interest rate cap agreement ("Cap Agreement") with Bank of America, related to variable quarterly rent payments due pursuant to two operating tank lease agreements. The variable quarterly rent payments are determined based upon a floating LIBOR based interest rate. The Cap Agreement, which expires June 30, 2003, requires Bank of America to pay the OLP at the end of each March, June, September and December the excess, if any, of the applicable three month floating LIBOR interest rate over 9.3%, the cap, applied to the total obligation due each quarter under the two operating tank lease agreements. The total obligation under these two operating tank lease agreements as of July 31, 2001 and 2000 was $157,600,000 and $159,200,000, respectively.

The MLP's senior units are redeemable by the MLP at any time, in whole or in part, upon payment in cash of the liquidating value of the senior units, currently $40 per unit, plus the amount of any accrued and unpaid distributions. The holder of the senior units has the right, subject to certain events and conditions, to convert any outstanding senior units into MLP common units at the earlier of December 31, 2005 or upon the occurrence of a material event as defined by the MLP partnership agreement. Such conversion rights are contingent upon the Company not previously redeeming such securities.

Certain property and equipment is leased under noncancelable operating leases which require fixed monthly rental payments and which expire at various dates through 2020. Future minimum lease commitments for such leases in the next five years, including the aforementioned operating tank leases, are $34,287,000 in 2002, $28,594,000 in 2003, $11,617,000 in 2004, $8,279,000 in 2005 and $5,855,000 in 2006.

In addition to the future minimum lease commitments, the Company plans to purchase vehicles and computers at the end of their lease terms totaling $781,000 in 2002, $1,203,000 in 2003, $1,488,000 in 2004, $1,342,000 in 2005 and $1,009,000 in 2006. The Company intends to renew other vehicle, tank and computer leases that would have had buyouts of $5,137,000 in 2002, $161,109,000 in 2003, $3,789,000 in 2004, $2,744,000 in 2005, and $815,000 in 2006.

K. Employee Benefits

Ferrell makes contributions to the ESOT which causes a portion of the shares of Ferrell owned by the ESOT to be allocated to employees' accounts over time. The allocation of Ferrell shares to employee accounts causes a noncash compensation charge to be incurred by the Partnership, equivalent to the fair value of such shares allocated. The Company is not obligated to fund or make contributions to the ESOT.

The Company and its parent, Ferrell, have a defined contribution profit-sharing plan which includes both profit sharing and matching contributions. The plan covers substantially all employees with more than one year of service. With the establishment of the ESOP in July 1998, the Company suspended future profit sharing contributions to the plan beginning with fiscal year 1998. The plan, which qualifies under section 401(k) of the Internal Revenue Code, also provides for matching contributions under a cash or deferred arrangement based upon participant salaries and employee contributions to the plan.

The Company has a defined benefit plan that provides participants who were covered under a previously terminated plan with a guaranteed retirement benefit at least equal to the benefit they would have received under the terminated plan. Until July 31, 1999, benefits under the terminated plan were determined by years of credited service and salary levels. As of July 31, 1999, years of credited service and salary levels were frozen. The Company's funding policy for this plan is to contribute amounts deductible for Federal income tax purposes and invest the plan assets primarily in corporate stocks and bonds, U.S. Treasury bonds and short-term cash investments. As of July 31, 2001, other comprehensive income was reduced by $2,092,000 due to the recording of $2,092,000 as an increase to other liabilities, because the accumulated benefit obligation of this plan exceeded the fair value of plan assets.

L. Ferrellgas, Inc. Unit Option Plan and Stock Options of Ferrell Companies, Inc.

Prior to April 19, 2001, the Ferrellgas, Inc. Unit Option Plan (the "unit option plan") authorized the issuance of options (the "unit options") covering up to 850,000 of the MLP's units to certain officers and employees of the Company. Effective April 19, 2001, the unit option plan was amended to authorize the issuance of options covering an additional 500,000 common units. The unit options are exercisable at exercise prices ranging from $16.80 to $21.67 per unit, which was an estimate of the fair market value of the units at the time of the grant. In general, the options vest over a five year period, and expire on the tenth anniversary of the date of the grant.

	Number Of Units	Weighted Average Exercise Price	Weighted Average Fair Value
Outstanding, August 1, 1999	782,025	$18.23	
Granted	-	-	-
Forfeited	(60,500)	19.38	
Outstanding, July 31, 2000	721,525	18.13	
Granted	651,000	17.90	$2.56
Exercised	(101,250)	16.80	
Forfeited	(42,075)	19.27	
Outstanding, July 31, 2001	1,229,200	18.08	
Options exercisable, July 31, 2001	503,543	18.06	

	Options Outstanding at July 31, 2001
Range of option prices at end of year	$16.80-$21.67
Weighted average remaining contractual life	7.2 Years

The Ferrell Companies, Inc. nonqualified stock option plan (the "NQP") was established by Ferrell to allow upper middle and senior level managers of the Company to participate in the equity growth of Ferrell and, indirectly in the equity growth of the Partnership. The shares underlying the stock options are common shares of Ferrell, therefore, there is no potential dilution of the Partnership. The Ferrell NQP stock options vest ratably in 5% to 10% increments over 12 years or 100% upon a change of control of Ferrell, or the death, disability or retirement at the age of 65 of the participant. Vested options are exercisable in increments based on the timing of the payoff of Ferrell debt, but in no event later than 20 years from the date of issuance.

M. Disclosures About Fair Value of Financial Instruments

The carrying amount of short-term financial instruments approximates fair value because of the short maturity of the instruments. The estimated fair value of the Company's long-term financial instruments was $681,060,000 and $698,082,000 as of July 31, 2001 and 2000, respectively. The fair value is estimated based on quoted market prices.

Interest Rate Collar, Cap and Swap Agreements. The Company from time to time has entered into various interest rate collar, cap and swap agreements involving, among others, the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. During fiscal 2001, an interest rate collar agreement expired and a swap agreement was terminated by a counterparty. As of July 31, 2001, an interest rate cap agreement with a counterparty who is a large financial institution remained in place. The fair value of this interest rate cap agreement at July 31, 2001 is de minimis. The fair values for the interest rate collar, cap and swap agreements at July 31, 2000 were $43,000, $(258,000), and $(561,000), respectively.

N. Business Combinations

On December 17, 1999, the Company purchased Thermogas from a subsidiary of Williams. At closing the Company entered into the following noncash transactions: a) issued $175,000,000 in senior units to the seller, b) assumed a $183,000,000 loan, (see Note E) and c) assumed a $135,000,000 operating lease (see Note J). After the conclusion of these

acquisition-related transactions, including the merger of the OLP and Thermogas, the Company acquired $61,842,000 of cash, which remained on the Thermogas balance sheet at the acquisition date. The Company paid $17,146,000 in additional costs and fees related to the acquisition. As part of the Thermogas acquisition, the OLP agreed to reimburse Williams for the value of working capital received by the Company in excess of $9,147,500. On June 6, 2000, the OLP and Williams agreed upon the amount of working capital that was acquired by the Company on December 17, 1999. The OLP reimbursed Williams $5,652,500 as final settlement of this working capital reimbursement obligation. In fiscal 2000, the Company had accrued $7,033,000 in involuntary employee termination benefits and exit costs, which it expected to incur within twelve months from the acquisition date as it implemented the integration of the Thermogas operations. This accrual included $5,870,000 of termination benefits and $1,163,000 of costs to exit Thermogas activities. The Company paid $2,788,000 and $1,306,000 for termination benefits and $491,000 and $890,000 for exit costs in fiscal years 2001 and 2000, respectively. The remaining liability for termination benefits and exit costs was reduced in fiscal 2001 by $1,558,000 as an adjustment to goodwill.

The total assets contributed to the OLP (at the Company's cost basis) have been allocated as follows: (a) working capital of $16,870,000, (b) property, plant and equipment of $140,284,000, (c) $60,200,000 to customer list with an estimated useful life of 15 years, (d) $9,600,000 to assembled workforce with an estimated useful life of 15 years, (e) $3,071,000 to noncompete agreements with an estimated useful life ranging from one to seven years, and (f) $86,475,000 to goodwill at an estimated useful life of 15 years. The transaction has been accounted for as a purchase.

During the year ended July 31, 2001, the Company made acquisitions of three businesses with an aggregate value of $418,000. These purchases were funded by $200,000 of cash payments and, in a noncash transaction, the issuance of $218,000 of notes payable to the seller.

During the year ended July 31, 2000, the Company made acquisitions of two other businesses with an aggregate value of $7,183,000, in addition to the Thermogas acquisition. These purchases were funded by $6,338,000 of cash payments and the following noncash transactions: the issuance of $601,000 of notes payable to the seller, $46,000 of common units and $198,000 of other costs and consideration.

All transactions have been accounted for using the purchase method of accounting.