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

## Form 10-Q

**(Mark One)**

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

**For the quarterly period ended April 30, 2010**

**or**

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

**For the transition period from to**

**Commission file numbers: 001-11331, 333-06693, 000-50182 and 000-50183**

# Ferrellgas Partners, L.P.
# Ferrellgas Partners Finance Corp.
# Ferrellgas, L.P.
# Ferrellgas Finance Corp.
(Exact name of registrants as specified in their charters)

| | |
|---|---|
| **Delaware** | **43-1698480** |
| **Delaware** | **43-1742520** |
| **Delaware** | **43-1698481** |
| **Delaware** | **14-1866671** |
| (States or other jurisdictions of incorporation or organization) | (I.R.S. Employer Identification Nos.) |
| **7500 College Boulevard, Suite 1000, Overland Park, Kansas** | **66210** |
| (Address of principal executive office) | (Zip Code) |

Registrants' telephone number, including area code:
**(913) 661-1500**

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

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes o No x*

* The registrants have not yet been phased into the interactive data requirements.

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Ferrellgas Partners, L.P.:

| | | | |
|---|---|---|---|
| Large accelerated filer x | Accelerated filer o | Non-accelerated filer o (do not check if a smaller reporting company) | Smaller reporting company o |

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

| | | | |
|---|---|---|---|
| Large accelerated filer o | Accelerated filer o | Non-accelerated filer x (do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

Ferrellgas Partners, L.P. and Ferrellgas, L.P. Yes o No x

Ferrellgas Partners Finance Corp. and Ferrellgas Finance Corp. Yes x No o

At May 28, 2010, the registrants had common units or shares of common stock outstanding as follows:

| | | |
|---|---|---|
| Ferrellgas Partners, L.P. | 69,521,818 | Common Units |
| Ferrellgas Partners Finance Corp. | 1,000 | Common Stock |
| Ferrellgas, L.P. | n/a | n/a |
| Ferrellgas Finance Corp. | 1,000 | Common Stock |

**Documents Incorporated by Reference:** None

EACH OF FERRELLGAS PARTNERS FINANCE CORP. AND FERRELLGAS FINANCE CORP. MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION I (1)(A) AND (B) OF FORM 10-K AND ARE THEREFORE, WITH RESPECT TO EACH SUCH REGISTRANT, FILING THIS FORM 10-Q WITH THE REDUCED DISCLOSURE FORMAT.



**FERRELLGAS PARTNERS, L.P.**
**FERRELLGAS PARTNERS FINANCE CORP.**
**FERRELLGAS, L.P.**
**FERRELLGAS FINANCE CORP.**

**For the quarterly period ended April 30, 2010**
**FORM 10-Q QUARTERLY REPORT**

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## PART I - - FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS (unaudited)

### FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

### CONDENSED CONSOLIDATED BALANCE SHEETS
**(in thousands, except unit data)**
**(unaudited)**

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| **ASSETS** | | |
| | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 10,591 | $ 7,066 |
| Accounts and notes receivable, net | 135,872 | 106,910 |
| Inventories | 139,540 | 129,808 |
| Prepaid expenses and other current assets | 18,689 | 15,031 |
| **Total current assets** | 304,692 | 258,815 |
| | | |
| Property, plant and equipment (net of accumulated depreciation of $544,076 and $521,044 at 2010 and 2009, respectively) | 665,068 | 666,535 |
| Goodwill | 248,939 | 248,939 |
| Intangible assets (net of accumulated amortization of $276,245 and $263,855 at 2010 and 2009, respectively) | 226,400 | 212,037 |
| Other assets, net | 37,817 | 18,651 |
| **Total assets** | $ 1,482,916 | $ 1,404,977 |
| | | |
| **LIABILITIES AND PARTNERS' CAPITAL** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 70,540 | $ 49,337 |
| Short-term borrowings | 32,847 | 66,159 |
| Other current liabilities | 93,033 | 108,763 |
| **Total current liabilities** | 196,420 | 224,259 |
| | | |
| Long-term debt | 1,104,059 | 1,010,073 |
| Other liabilities | 21,098 | 19,300 |
| Contingencies and commitments (Note I) | — | — |
| | | |
| **Partners' capital:** | | |
| Common unitholders (69,521,818 and 68,236,755 units outstanding at 2010 and 2009, respectively) | 210,254 | 206,255 |
| General partner unitholder (702,241 and 689,260 units outstanding at 2010 and 2009, respectively) | (57,948) | (57,988) |
| Accumulated other comprehensive income (loss) | 4,252 | (1,194) |
| **Total Ferrellgas Partners, L.P. partners' capital** | 156,558 | 147,073 |
| Noncontrolling interest | 4,781 | 4,272 |
| **Total partners' capital** | 161,339 | 151,345 |
| **Total liabilities and partners' capital** | $ 1,482,916 | $ 1,404,977 |

See notes to condensed consolidated financial statements.





### FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
**(in thousands, except per unit data)**
**(unaudited)**

| | For the three months ended April 30, | | For the nine months ended April 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **Revenues:** | | | | |
| Propane and other gas liquids sales | $ 536,024 | $ 461,850 | $ 1,588,038 | $ 1,546,274 |
| Other | 79,266 | 99,283 | 157,174 | 210,558 |
| **Total revenues** | 615,290 | 561,133 | 1,745,212 | 1,756,832 |
| | | | | |
| **Costs and expenses:** | | | | |
| Cost of product sold - propane and other gas liquids sales | 355,316 | 295,881 | 1,060,216 | 1,042,153 |
| Cost of product sold - other | 51,132 | 75,714 | 82,520 | 136,153 |

| | | | | |
|---|---|---|---|---|
| Operating expense | 106,560 | 94,993 | 308,000 | 296,920 |
| Depreciation and amortization expense | 20,848 | 20,635 | 62,022 | 62,170 |
| General and administrative expense | 11,893 | 8,520 | 37,017 | 29,367 |
| Equipment lease expense | 3,259 | 4,282 | 10,160 | 14,418 |
| Employee stock ownership plan compensation charge | 2,698 | 1,460 | 6,961 | 4,865 |
| Loss on disposal of assets and other | 2,696 | 2,323 | 5,480 | 8,924 |
| **Operating income** | 60,888 | 57,325 | 172,836 | 161,862 |
| Interest expense | (25,933) | (22,027) | (74,844) | (69,090) |
| Debt prepayment premiums | (3,408) | — | (20,716) | — |
| Other income (expense), net | (529) | (190) | (1,085) | (1,351) |
| **Earnings before income taxes** | 31,018 | 35,108 | 76,191 | 91,421 |
| Income tax expense | 1,754 | 1,847 | 2,006 | 2,713 |
| **Net earnings** | 29,264 | 33,261 | 74,185 | 88,708 |
| Net earnings attributable to noncontrolling interest | 401 | 397 | 976 | 1,079 |
| Net earnings attributable to Ferrellgas Partners, L.P. | 28,863 | 32,864 | 73,209 | 87,629 |
| Less: General partner's interest in net earnings | 289 | 329 | 732 | 876 |
| **Common unitholders' interest in net earnings** | $ 28,574 | $ 32,535 | $ 72,477 | $ 86,753 |
| **Basic and diluted net earnings per common unitholders' interest** | $ 0.41 | $ 0.48 | $ 1.05 | $ 1.34 |

See notes to condensed consolidated financial statements.



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**FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES**

## CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
**(in thousands)**
**(unaudited)**

| | Number of units | | | | Accumulated other comprehensive income (loss) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common unitholders | General partner unitholder | Common unitholders | General partner unitholder | Risk management | Currency translation adjustments | Pension liability | Total Ferrellgas Partners, L.P. partners' capital | Non-controlling interest | Total partners' capital |
| **July 31, 2008** | 62,961.7 | 636.0 | $ 201,618 | $ (58,036) | $ 18,749 | $ 26 | $ (233) | $ 162,124 | $ 4,220 | $ 166,344 |
| Contributions in connection with ESOP and stock-based compensation charges | — | — | 5,855 | 59 | — | — | — | 5,914 | 60 | 5,974 |
| Common units issued in public offering | 4,985.6 | 50.4 | 69,447 | 702 | — | — | — | 70,149 | 716 | 70,865 |
| Common unit distribution | — | — | (97,166) | (981) | — | — | — | (98,147) | (1,121) | (99,268) |
| Common units issued in connection with acquisition | 230.8 | 2.3 | 4,465 | 45 | — | — | — | 4,510 | 46 | 4,556 |
| Comprehensive income: | | | | | | | | | | |
| Net earnings | — | — | 86,753 | 876 | — | — | — | 87,629 | 1,079 | 88,708 |
| Other comprehensive income (loss): | | | | | | | | | | |
| Net loss on risk management derivatives | — | — | — | — | (172,942) | — | — | | — | |
| Reclassification of derivatives to earnings | — | — | — | — | 120,415 | — | — | | — | |
| Foreign currency translation adjustment | — | — | — | — | — | (19) | — | | | |
| Tax effect on foreign currency translation adjustment | — | — | — | — | — | 8 | — | | | |
| Pension liability adjustment | — | — | — | — | — | — | 6 | (52,532) | | (52,532) |
| Comprehensive income: | | | | | | | | 35,097 | 1,079 | 36,176 |
| **April 30, 2009** | 68,178.1 | 688.7 | $ 270,972 | $ (57,335) | $ (33,778) | $ 15 | $ (227) | $ 179,647 | $ 5,000 | $ 184,647 |
| **July 31, 2009** | 68,236.8 | 689.3 | $ 206,255 | $ (57,988) | $ (989) | $ 22 | $ (227) | $ 147,073 | $ 4,272 | $ 151,345 |
| Contributions in connection with ESOP and stock-based compensation charges | — | — | 10,927 | 110 | — | — | — | 11,037 | 112 | 11,149 |
| Distributions | — | — | (103,604) | (1,047) | — | — | — | (104,651) | (1,188) | (105,839) |
| Common units issued in offering, net of issuance costs | 1,058.4 | 10.7 | 19,949 | 202 | — | — | — | 20,151 | 204 | 20,355 |
| Common units issued in connection with acquisition | 155.1 | 1.5 | 3,061 | 31 | — | — | — | 3,092 | 31 | 3,123 |
| Common units issued in connection with option exercises | 71.5 | 0.7 | 1,189 | 12 | — | — | — | 1,201 | 8 | 1,209 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| General partner contribution in connection with cash contribution to Ferrellgas, L.P. | — | — | — | — | — | — | — | — | 311 | 311 |
| Comprehensive income: | | | | | | | | | | |
| Net earnings | — | — | 72,477 | 732 | — | — | — | 73,209 | 976 | 74,185 |
| Other comprehensive income (loss): | | | | | | | | | | |
| Net earnings on risk management derivatives | — | — | — | — | 15,039 | — | — | | 153 | |
| Reclassification of derivatives to earnings | — | — | — | — | (9,597) | — | — | | (98) | |
| Foreign currency translation adjustment | — | — | — | — | — | 5 | — | | | |
| Tax effect on foreign currency translation adjustment | — | — | — | — | — | (1) | — | 5,446 | | 5,501 |
| Comprehensive income | | | | | | | | 78,655 | 1,031 | 79,686 |
| **April 30, 2010** | 69,521.8 | 702.2 | $ 210,254 | $ (57,948) | $ 4,453 | $ 26 | $ (227) | $ 156,558 | $ 4,781 | $ 161,339 |

See notes to condensed consolidated financial statements.



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**FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands)**
**(unaudited)**

| | For the nine months ended April 30, 2010 | For the nine months ended April 30, 2009 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net earnings | $ 74,185 | $ 88,708 |
| Reconciliation of net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 62,022 | 62,170 |
| Employee stock ownership plan compensation charge | 6,961 | 4,865 |
| Stock-based compensation charge | 4,188 | 1,109 |
| Loss on disposal of assets | 3,161 | 2,977 |
| Loss on transfer of accounts receivable related to the accounts receivable securitization | 6,699 | 9,084 |
| Deferred tax expense | 247 | 404 |
| Other | 8,297 | 5,752 |
| Changes in operating assets and liabilities, net of effects from business acquisitions: | | |
| Accounts and notes receivable, net of securitization | (82,819) | (22,952) |
| Inventories | (9,732) | 42,303 |
| Prepaid expenses and other current assets | (2,791) | (3,236) |
| Accounts payable | 21,023 | 10,956 |
| Accrued interest expense | 621 | 9,133 |
| Other current liabilities | (13,097) | (8,258) |
| Other liabilities | 1,342 | (1,273) |
| Accounts receivable securitization: | | |
| Proceeds from new accounts receivable securitizations | 124,000 | 109,000 |
| Proceeds from collections reinvested in revolving period accounts receivable securitizations | 1,104,352 | 1,001,169 |
| Remittances of amounts collected as servicer of accounts receivable securitizations | (1,179,352) | (1,118,169) |
| Net cash provided by operating activities | 129,307 | 193,742 |
| **Cash flows from investing activities:** | | |
| Business acquisitions, net of cash acquired | (40,883) | (213) |
| Capital expenditures | (33,557) | (43,549) |
| Proceeds from sale of assets | 4,597 | 6,878 |
| Other | (3,686) | (3,668) |
| Net cash used in investing activities | (73,529) | (40,552) |
| **Cash flows from financing activities:** | | |
| Distributions | (104,651) | (98,147) |
| Proceeds from increase in long-term debt | 894,274 | 198,234 |
| Reductions in long-term debt | (807,830) | (238,839) |
| Net reductions in short-term borrowings | (33,312) | (84,149) |
| Cash paid for financing costs | (21,413) | (3,945) |
| Noncontrolling interest activity | (665) | (405) |
| Proceeds from equity offering, net of issuance costs | 19,949 | 69,447 |
| Proceeds from exercise of common unit options | 1,189 | — |
| Cash contribution from general partner in connection with equity offering | 202 | 702 |
| Net cash used in financing activities | (52,257) | (157,102) |
| **Effect of exchange rate changes on cash** | 4 | (11) |

| | | |
|---|---|---|
| Increase (decrease) in cash and cash equivalents | 3,525 | (3,923) |
| Cash and cash equivalents - beginning of period | 7,066 | 16,614 |
| **Cash and cash equivalents - end of period** | $ 10,591 | $ 12,691 |

See notes to condensed consolidated financial statements.



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**FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**April 30, 2010**
**(Dollars in thousands, except per unit data, unless otherwise designated)**
**(unaudited)**

## A. Partnership organization and formation

Ferrellgas Partners, L.P. ("Ferrellgas Partners") is a publicly traded limited partnership, owning an approximate 99% limited partner interest in Ferrellgas, L.P. (the "operating partnership"). Ferrellgas Partners and the operating partnership are collectively referred to as "Ferrellgas." Ferrellgas, Inc. (the "general partner"), a wholly-owned subsidiary of Ferrell Companies, Inc. ("Ferrell Companies"), has retained a 1% general partner interest in Ferrellgas Partners and also holds an approximate 1% general partner interest in the operating partnership, representing an effective 2% general partner interest in Ferrellgas on a combined basis. As general partner, it performs all management functions required by Ferrellgas. At April 30, 2010, Ferrell Companies beneficially owned 20.3 million of Ferrellgas Partners' outstanding common units.

The condensed consolidated financial statements of Ferrellgas reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the interim periods presented. All adjustments to the condensed consolidated financial statements were of a normal, recurring nature. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with (i) the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and (ii) the consolidated financial statements and accompanying notes, each as set forth in Ferrellgas' Annual Report on Form 10-K for fiscal 2009.

## B. Summary of significant accounting policies

*(1) Nature of operations:*

Ferrellgas Partners is a holding entity that conducts no operations and has two subsidiaries, Ferrellgas Partners Finance Corp. and the operating partnership. Ferrellgas Partners owns a 100% equity interest in Ferrellgas Partners Finance Corp., whose only business activity is to act as the co-issuer and co-obligor of any debt issued by Ferrellgas Partners. The operating partnership is the only operating subsidiary of Ferrellgas Partners.

The operating partnership is engaged primarily in the distribution of propane and related equipment and supplies in the United States. The propane distribution market is seasonal because propane is used primarily for heating in residential and commercial buildings. Therefore, the results of operations for the nine months ended April 30, 2010 and 2009 are not necessarily indicative of the results to be expected for a full fiscal year. The operating partnership serves approximately one million residential, industrial/commercial, portable tank exchange, agricultural, wholesale and other customers in all 50 states, the District of Columbia and Puerto Rico.

*(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 financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Significant estimates impacting the condensed consolidated financial statements include accruals that have been established for contingent liabilities, pending claims and legal actions arising in the normal course of business, useful lives of property, plant and equipment assets, residual values of tanks, capitalization of customer tank installation costs, amortization methods of intangible assets, valuation methods used to value sales returns and allowances, allowance for doubtful accounts, financial derivative contracts and stock and unit-based compensation calculations.



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*(3) Supplemental cash flow information:*

Certain cash flow and significant non-cash activities are presented below:

| | For the nine months ended April 30, | |
|---|---|---|
| | **2010** | **2009** |
| CASH PAID FOR: | | |
| Interest | $ 66,979 | $ 54,325 |
| Income taxes | 942 | 869 |
| NON-CASH INVESTING ACTIVITIES: | | |
| Issuance of common units in connection with acquisitions | $ 3,061 | $ 4,515 |
| Issuance of liabilities in connection with acquisitions | 5,494 | 1,002 |
| Property, plant and equipment additions | 868 | 1,604 |

*(4) Accounts receivable securitization:*

The operating partnership has agreements to transfer, on an ongoing basis, a portion of its trade accounts receivable through Ferrellgas Receivables, an accounts receivable securitization facility that is a wholly-owned unconsolidated special purpose entity. The operating partnership retains servicing responsibilities as well as a retained interest in the transferred receivables. The operating partnership also holds a note receivable from Ferrellgas Receivables to the extent that expected cash proceeds from the sales of accounts receivable to Ferrellgas Receivables have not been received. The operating partnership has no other continuing involvement with the transferred receivables, other than servicing the receivables. The related receivables are transferred from the condensed consolidated balance sheets and a retained interest and note receivable are recorded for the amount of receivables sold in excess of cash received and a related loss on the transfer is recorded, which represents the discount on the sale. The retained interest and note receivable are included in "Accounts and notes receivable, net" in the condensed consolidated balance sheets.

The operating partnership determines the fair value of its retained interest and note receivable based on the present value of future expected cash flows using management's best estimates of various factors, including credit loss experience and discount rates commensurate with the risks involved. These assumptions are updated periodically based on actual results; therefore, the estimated credit loss and discount rates utilized are materially consistent with historical performance. Due to the short-term nature of the operating partnership's trade receivables, variations in the credit and discount assumptions would not significantly impact the fair value of the retained interests and note receivable. Costs associated with the sale of receivables are included in "Loss on disposal of assets and other" in the condensed consolidated statements of earnings. See Note D — Accounts and notes receivable, net and accounts receivable securitization — for further discussion of these transactions.

*(5) New accounting standards:*

**Transfers of Financial Assets**

In June 2009, the Financial Accounting Standards Board (the "FASB") issued guidance that amends the previous derecognition guidance to improve the accounting for transfers of financial assets. This guidance is effective for financial asset transfers that occur in annual reporting periods beginning after November 15, 2009. The adoption of this guidance on August 1, 2010, will require Ferrellgas to consolidate Ferrellgas Receivables, a wholly-owned unconsolidated special purpose entity. As a result of the derecognition guidance amendments, beginning August 1, 2010, trade receivables owned by Ferrellgas Receivables will be recorded with a corresponding short-term liability on Ferrellgas' condensed consolidated balance sheets. Ferrellgas does not expect the consolidation of Ferrellgas Receivables to have a significant impact on its financial position, results of operations or cash flows.

**Variable Interest Entities**

In June 2009, the FASB issued guidance that changes the approach to determining a variable interest



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entity's primary beneficiary and requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This guidance is effective for annual reporting periods beginning after November 15, 2009. Ferrellgas does not expect the adoption of this guidance to have a significant impact on its financial position, results of operations or cash flows.

**FASB Codification**

In June 2009, the FASB approved its Accounting Standards Codification ("Codification") as the exclusive authoritative reference for U.S. GAAP for SEC registrants. The Codification, which changes the referencing of accounting standards, is effective for interim and annual reporting periods ending after September 15, 2009. The adoption of the Codification effective August 1, 2009 did not have a significant impact on Ferrellgas' financial position, results of operations or cash flows.

**Business Combinations**

In December 2007, the FASB issued guidance that establishes principles and requirements for how the acquirer in a business combination recognizes and measures the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, how the acquirer recognizes and measures goodwill or a gain from a bargain purchase (formerly negative goodwill) and how the acquirer determines what information to disclose. This guidance is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this guidance effective August 1, 2009 did not have a significant impact on Ferrellgas' financial position, results of operations or cash flows.

**Noncontrolling Interests in Consolidated Financial Statements**

In December 2007, the FASB issued guidance that establishes accounting and reporting standards for the noncontrolling interest (formerly minority interest) in a subsidiary and for the deconsolidation of a subsidiary and it clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity. This guidance is effective for annual reporting periods, and interim reporting periods within those annual reporting periods, beginning on or after December 15, 2008. Ferrellgas adopted this guidance effective August 1, 2009 and updated the condensed consolidated financial statements accordingly, including a retrospective application to the prior period presentation of the condensed consolidated statement of partners' capital. This retrospective application did not materially affect the condensed consolidated statement of partners' capital.

**Application of the Two-Class Method to Master Limited Partnerships**

In March 2008, the FASB issued guidance that addresses the computation of incentive distribution rights and the appropriate allocation of these rights to current period earnings in the computation of earnings per share. This guidance is effective for annual reporting periods beginning on or after December 15, 2008 and interim reporting periods within those annual reporting periods. The adoption of this guidance effective August 1, 2009 did not have a significant impact on Ferrellgas' financial position, results of operations or cash flows.

## C. Supplemental financial statement information

Inventories consist of the following:

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| Propane gas and related products | $ 119,761 | $ 109,606 |
| Appliances, parts and supplies | 19,779 | 20,202 |
| Inventories | $ 139,540 | $ 129,808 |





In addition to inventories on hand, Ferrellgas enters into contracts primarily to buy propane for supply procurement purposes. Most of these contracts have terms of less than one year and call for payment based on market prices at the date of delivery. All supply procurement fixed price contracts have terms of fewer than 24 months. As of April 30, 2010, Ferrellgas had committed, for supply procurement purposes, to take net delivery of approximately 24.2 million gallons of propane at fixed prices.

Other current liabilities consist of the following:

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| Accrued interest | $ 20,340 | $ 19,719 |
| Accrued payroll | 16,513 | 23,395 |
| Customer deposits and advances | 17,608 | 23,115 |
| Other | 38,572 | 42,534 |
| Other current liabilities | $ 93,033 | $ 108,763 |

Loss on disposal of assets and other consists of the following:

| | For the three months ended April 30, | | For the nine months ended April 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| (Gain) loss on disposal of assets | $ 1,802 | $ (53) | $ 3,161 | $ 2,977 |
| Loss on transfer of accounts receivable related to the accounts receivable securitization | 2,731 | 3,563 | 6,699 | 9,084 |
| Service income related to the accounts receivable securitization | (1,837) | (1,187) | (4,380) | (3,137) |
| Loss on disposal of assets and other | $ 2,696 | $ 2,323 | $ 5,480 | $ 8,924 |

Shipping and handling expenses are classified in the following condensed consolidated statements of earnings line items:

| | For the three months ended April 30, | | For the nine months ended April 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Operating expense | $ 50,724 | $ 42,581 | $ 142,091 | $ 134,193 |
| Depreciation and amortization expense | 1,431 | 1,256 | 4,132 | 3,689 |
| Equipment lease expense | 3,438 | 4,176 | 10,677 | 13,498 |
| | $ 55,593 | $ 48,013 | $ 156,900 | $ 151,380 |

## D. Accounts and notes receivable, net and accounts receivable securitization

Accounts and notes receivable, net consist of the following:

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| Accounts receivable | $ 65,000 | $ 33,903 |
| Note receivable from Ferrellgas Receivables | 46,285 | 52,038 |
| Retained interest | 29,022 | 24,979 |
| Other | 260 | 284 |
| Less: Allowance for doubtful accounts | (4,695) | (4,294) |
| Accounts and notes receivable, net | $ 135,872 | $ 106,910 |

During April 2010, the operating partnership executed a new accounts receivable securitization facility





with Wells Fargo Bank, N.A., Fifth Third Bank and BNP Paribas. This new accounts receivable securitization facility has $145.0 million of capacity, matures on April 4, 2013 and replaces the operating partnership's previous 364-day facility which was to expire on April 14, 2010. As part of this new facility, the operating partnership transfers a portion of its trade accounts receivable to Ferrellgas Receivables, which finances its acquisition of the trade receivable assets by issuing beneficial interests in (securitizing) the receivables to a commercial paper conduit for proceeds of up to $145.0 million. The operating partnership does not provide any guarantee or similar support to the collectability of these receivables. The operating partnership structured the facility using a wholly-owned, unconsolidated special purpose entity in order to facilitate the transaction while complying with Ferrellgas' various debt covenants. If the covenants are compromised, funding from the facility could be restricted or suspended, or its costs could increase. As a servicer, the operating partnership remits daily to this special purpose entity funds collected on the trade receivables held by Ferrellgas Receivables.

The operating partnership transfers a portion of its trade accounts receivable to Ferrellgas Receivables and retains an interest and a note receivable related to these transferred receivables. As these transferred receivables are subsequently collected, the funding from the accounts receivable securitization facility is reduced. Ferrellgas Receivables recorded the following on its balance sheet:

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| Trade accounts receivable transferred from the operating partnership | $ 164,905 | $ 118,982 |
| Note payable to the operating partnership | 46,285 | 52,038 |

The operating partnership's condensed consolidated balance sheets do not include trade accounts receivables transferred, but do include a note receivable from Ferrellgas Receivables which represents expected cash proceeds from the sale of accounts receivable to Ferrellgas Receivables that have not yet been received. As of April 30, 2010, the operating partnership had received proceeds from trade accounts receivable sales of $86.0 million with the ability to receive proceeds of an additional $15.0 million.

Other accounts receivable securitization activity consists of the following:

| | For the three months ended April 30, | | For the nine months ended April 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Net non-cash activity | $ 894 | $ 2,376 | $ 2,319 | $ 5,947 |
| Bad debt expense | — | 300 | (500) | 600 |

The net non-cash activity reported in "Loss on disposal of assets and other" in the condensed consolidated statements of earnings approximates the financing cost of issuing commercial paper backed by these accounts receivable transferred to Ferrellgas Receivables. See details of the net non-cash activity disclosed in Note C — Supplemental financial statement information — "Loss on transfer of accounts receivable related to the accounts receivable securitization" and "Service income related to the accounts receivable securitization." The weighted average discount rate used to value the retained interest in the transferred receivables was 3.4% and 3.6% as of April 30, 2010 and July 31, 2009, respectively.

## E. Debt

***Short-term borrowings***

Ferrellgas classified a portion of its credit facility borrowings as short-term because it was used to fund





working capital needs that management had intended to pay down within the 12 month period following each balance sheet date. As of April 30, 2010 and July 31, 2009, $32.8 million and $66.2 million, respectively, were classified as short-term borrowings. For further discussion see the secured credit facility section below.

***Long-term debt***

Long-term debt consists of the following:

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| **Senior notes** | | |
| Fixed rate, 6.75% due 2014, net of unamortized discount of $23,137 and $26,458 at April 30, 2010 and July 31, 2009, respectively | $ 426,863 | $ 423,542 |
| Fixed rate, 9.125%, due 2017, net of unamortized discount of $3,964 | 296,036 | — |
| Fixed rate, 8.625%, due 2020 | 280,000 | — |
| Fixed rate, 8.75%, due 2012, net of unamortized premium of $77 and $1,091 at April 30, 2010 and July 31, 2009, respectively | 34,180 | 269,091 |
| Fixed rate, Series D-E, ranging from 7.24% to 7.42% due 2010-2013 | — | 152,000 |
| Fixed rate, Series C, 8.87%, due 2009 | — | 73,000 |
| **Credit facility** | | |
| Secured, variable interest rate, expiring 2012 (net of $32.8 million classified as short-term borrowings) | 59,653 | — |
| Unsecured, variable interest rate, expiring 2010 (net of $66.2 million classified as short-term borrowings) | — | 88,541 |
| **Notes payable**, 9.5% and 8.4% weighted average interest rate at April 30, 2010 and July 31, 2009, respectively, due 2010 to 2016, net of unamortized discount of $3,224 and $1,301 at April 30, 2010 and July 31, 2009, respectively | 9,706 | 5,321 |
| | 1,106,438 | 1,011,495 |
| Less: current portion, included in other current liabilities on the condensed consolidated balance sheets | 2,379 | 1,422 |
| **Long-term debt** | $ 1,104,059 | $ 1,010,073 |

*Senior notes*

During August 2009, Ferrellgas made scheduled principal payments of $73.0 million on the 8.87% Series C senior notes.

During September 2009, Ferrellgas issued $300.0 million in aggregate principal amount of new 9.125% senior notes due 2017 at an offering price equal to 98.6% of par with the proceeds used to fund the October 2009 note payments discussed below and to reduce borrowings on the unsecured credit facility due April 2010.

During October 2009, Ferrellgas prepaid the outstanding principal amount on its $82.0 million 7.24% series D notes due August 1, 2010 and its $70.0 million 7.42% series E notes due August 1, 2013 and the related prepayment premiums of $17.3 million.

During April 2010, Ferrellgas Partners completed a public offering of $280.0 million in aggregate principal amount of new 8.625% senior unsecured notes due 2020. Ferrellgas Partners applied the net proceeds of approximately $273.4 million to a cash tender offer to purchase any and all of its 8.75% senior notes due 2012 and to redeem any such notes that remain outstanding after April 30,





2010. As of April 30, 2010, Ferrellgas Partners had purchased $233.9 million of the senior notes pursuant to the cash tender offer. Ferrellgas Partners contributed $30.5 million of the remaining proceeds to the operating partnership to pay down borrowings on the secured credit facility.

*Secured credit facility*

During November 2009, Ferrellgas closed on a new secured credit facility that provides $400.0 million in revolving credit for loans and has a $200.0 million sublimit for letters of credit. This secured credit facility replaced Ferrellgas' unsecured credit facility due April 2010 and will mature in November 2012.

The secured credit facility contains various affirmative and negative covenants and default provisions, as well as requirements with respect to the maintenance of specified financial ratios and limitations on the making of loans and investments.

As of April 30, 2010, Ferrellgas had total borrowings outstanding under this secured credit facility due November 2012 of $92.5 million, of which $59.7 million was classified as long-term debt.

Borrowings under the secured credit facility due November 2012 had a weighted average interest rate of 4.63% at April 30, 2010. All borrowings under the facility bear interest, at Ferrellgas' option, at a rate equal to either:

- for Base Rate Loans or Swing Line Loans, the Base Rate, which is defined as the higher of i) the federal funds rate plus 0.50%, ii) Bank of America's prime rate; or iii) the Eurodollar Rate plus 1%; plus a margin varying from 2.50% to 3.25% (as of April 30, 2010, the margin was 3.00%); or
- for Eurodollar Rate Loans, the Eurodollar Rate, which is defined as the LIBOR Rate plus a margin varying from 3.50% to 4.25% (as of April 30, 2010, the margin was 4.00%).

As of April 30, 2010, the federal funds rate and Bank of America's prime rate were 0.20% and 3.25%, respectively. As of April 30, 2010, the one-month and three-month Eurodollar Rates were 0.30% and 0.40%, respectively.

In addition, an annual commitment fee is payable at a per annum rate of 0.50% times the actual daily amount by which the facility exceeds the sum of (i) the outstanding amount of revolving credit loans and (ii) the outstanding amount of letter of credit obligations.

The obligations under this secured credit facility are secured by substantially all assets of the operating partnership, the general partner and certain subsidiaries of the operating partnership but specifically excluding (a) assets that are subject to the operating partnership's receivables securitization facility, (b) the general partner's equity interest in Ferrellgas Partners and (c) equity interest in certain unrestricted subsidiaries. Such obligations are also guaranteed by the general partner and certain subsidiaries of the operating partnership.

Letters of credit outstanding at April 30, 2010 totaled $47.1 million and were used primarily to secure insurance arrangements and to a lesser extent, product purchases. Letters of credit outstanding at July 31, 2009 totaled $44.4 million and were used primarily to secure insurance arrangements and to a lesser extent, product purchases. At April 30, 2010, Ferrellgas had available letter of credit remaining capacity of $152.9 million. At July 31, 2009, Ferrellgas had available letter of credit remaining capacity of $105.6 million.

**F. Partners' capital**

*Common unit issuances*

During October 2009, Ferrellgas completed an offering of 1.1 million common units representing limited partner interests. The net proceeds of $20.0 million were used to reduce borrowings under Ferrellgas' unsecured credit facility. Ferrellgas also issued $3.1 million of common units in connection





with the acquisition of propane distribution assets.

*Partnership distributions paid*

Ferrellgas Partners has paid the following distributions:

| | For the three months ended April 30, | | For the nine months ended April 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |

| | | | | |
|---|---|---|---|---|
| Public common unit holders | $ 22,421 | $ 21,758 | $ 66,582 | $ 60,174 |
| Ferrell Companies (1) | 10,040 | 10,040 | 30,121 | 30,121 |
| FCI Trading Corp. (2) | 98 | 98 | 294 | 294 |
| Ferrell Propane, Inc. (3) | 26 | 26 | 77 | 77 |
| James E. Ferrell (4) | 2,176 | 2,167 | 6,530 | 6,500 |
| General partner | 351 | 344 | 1,047 | 981 |
| | $ 35,112 | $ 34,433 | $ 104,651 | $ 98,147 |

(1) Ferrell Companies is the owner of the general partner and a 29% beneficial owner of Ferrellgas' common units and thus a related party.
(2) FCI Trading Corp. ("FCI Trading") is an affiliate of the general partner and thus a related party.
(3) Ferrell Propane, Inc. ("Ferrell Propane") is controlled by the general partner and thus a related party.
(4) James E. Ferrell is the Executive Chairman and Chairman of the Board of Directors of the general partner and thus a related party.

On May 27, 2010, Ferrellgas Partners declared a cash distribution of $0.50 per common unit for the three months ended April 30, 2010, which is expected to be paid on June 14, 2010.

Included in this cash distribution are the following amounts expected to be paid to related parties:

| | |
|---|---|
| Ferrell Companies | $ 10,040 |
| FCI Trading Corp. | 98 |
| Ferrell Propane, Inc. | 26 |
| James E. Ferrell | 2,177 |
| General partner | 351 |

See additional discussions about transactions with related parties in Note H — Transactions with related parties.

*Other comprehensive income ("OCI")*

See Note G — Derivatives — for details regarding changes in fair value on risk management financial derivatives recorded within OCI for the nine months ended April 30, 2010.

## G. Derivatives

*Commodity Price Risk Management*

Ferrellgas' risk management activities primarily attempt to mitigate price risks related to the purchase, storage, transport and sale of propane generally in the contract and spot markets from major domestic energy companies on a short-term basis. Ferrellgas attempts to mitigate these price risks through the use of financial derivative instruments and forward propane purchase and sales contracts.

Ferrellgas' risk management strategy involves taking positions in the forward or financial markets that are equal and opposite to Ferrellgas' positions in the physical products market in order to minimize the risk of financial loss from an adverse price change. This risk management strategy is successful when Ferrellgas' gains or losses in the physical product markets are offset by its losses or gains in the





forward or financial markets. These financial derivatives are designated as cash flow hedges.

Ferrellgas' risk management activities include the use of financial derivative instruments including, but not limited to, price swaps, options, futures and basis swaps to seek protection from adverse price movements and to minimize potential losses. Ferrellgas enters into these financial derivative instruments directly with third parties in the over-the-counter market and with brokers who are clearing members with the New York Mercantile Exchange. Ferrellgas also enters into forward propane purchase and sales contracts with counterparties. These forward contracts qualify for the normal purchase normal sales exception within GAAP guidance and are therefore not recorded by Ferrellgas prior to settlement.

*Cash Flow Hedging Activity*

Ferrellgas uses financial derivative instruments for risk management purposes to hedge a portion of its exposure to market fluctuations in propane prices. These financial derivative instruments are designated as cash flow hedging instruments, thus the effective portions of changes in the fair value of the financial derivatives are recorded in OCI prior to settlement and are subsequently recognized in the condensed consolidated statements of earnings in "Cost of goods sold — propane and other gas liquids sales" when the forward or forecasted propane sales transaction impacts earnings. The effectiveness of cash flow hedges is evaluated at inception and on an on-going basis. Changes in the fair value of cash flow hedges due to hedge ineffectiveness, if any, are recognized in "Cost of product sold — propane and other gas liquids sales." During the nine months ended April 30, 2010 and 2009, Ferrellgas did not recognize any gain or loss in earnings related to hedge ineffectiveness and did not exclude any component of the financial derivative contract gain or loss from the assessment of hedge effectiveness related to these cash flow hedges.

The fair value of the financial derivative instruments below are included within "Prepaid expenses and other current assets" and "Other current liabilities" on the condensed consolidated balance sheets:

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| Derivatives — Price risk management assets | $ 4,595 | $ 3,391 |
| Derivatives — Price risk management liabilities | 87 | 4,380 |

Ferrellgas had the following cash flow hedge activity included in OCI in the condensed consolidated statement of partners' capital:

| | For the nine months ended April 30, | |
|---|---|---|
| | 2010 | 2009 |
| Fair value gain (loss) adjustment classified as OCI with offset in Price risk management assets and Price risk management liabilities | $ 15,192 | $ (172,942) |
| Reclassification of net gains (losses) originally recorded within OCI to Cost of product sold — propane and other gas liquids | 9,695 | (120,415) |

Ferrellgas expects to reclassify net gains of approximately $4.5 million to earnings during the next 12 months. These net gains are expected to be offset by margins on propane sales commitments Ferrellgas has with its customers that qualify for the normal purchase normal sales exception.

During the nine months ended April 30, 2010 and 2009, Ferrellgas had no reclassifications to earnings resulting from discontinuance of any cash flow hedges arising from the probability of the original forecasted transactions not occurring within the originally specified period of time defined within the hedging relationship.

As of April 30, 2010, Ferrellgas had financial derivative contracts covering 0.8 million barrels of





propane that were entered into as cash flow hedges of forward and forecasted purchases of propane.

During the nine months ended April 30, 2010 and 2009, four counterparties represented 76% and 82%, respectively, of net settled cash flow hedging positions reported in "Cost of goods sold — propane and other gas liquids sales." During the nine months ended April 30, 2010 and 2009, Ferrellgas neither held nor entered into financial derivative contracts that contained credit risk related contingency features.

In accordance with GAAP, Ferrellgas determines the fair value of its assets and liabilities subject to fair value measurement by using the highest possible "Level" as defined within the GAAP hierarchy. The three levels defined by the GAAP hierarchy are as follows:

- Level 1 — Quoted prices available in active markets for identical assets or liabilities.
- Level 2 — Pricing inputs not quoted in active markets but either directly or indirectly observable.
- Level 3 — Significant inputs to pricing that have little or no transparency with inputs requiring significant management judgment or estimation.

Ferrellgas considers over-the-counter derivative instruments entered into directly with third parties as Level 2 valuation since the values of these derivatives are quoted by third party brokers and are on an exchange for similar transactions. The market prices used to value Ferrellgas' derivatives have been determined using independent third party prices, readily available market information, broker quotes, and appropriate valuation techniques.

At April 30, 2010 and July 31, 2009, all derivative assets and liabilities qualified for classification as Level 2 - other observable inputs as defined by the GAAP hierarchy. All financial derivatives assets and liabilities were non-trading positions.

## H. Transactions with related parties

Ferrellgas has no employees and is managed and controlled by its general partner. Pursuant to Ferrellgas' partnership agreements, the general partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of Ferrellgas and all other necessary or appropriate expenses allocable to Ferrellgas or otherwise reasonably incurred by its general partner in connection with operating Ferrellgas' business. These costs primarily include compensation and benefits paid to employees of the general partner who perform services on Ferrellgas' behalf and are reported in the condensed consolidated statements of earnings as follows:

| | For the three months ended April 30, | | For the nine months ended April 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Operating expense | $ 57,690 | $ 50,122 | $ 169,642 | $ 158,929 |
| General and administrative expense | 6,442 | 5,879 | 18,624 | 17,622 |

During fiscal 2009, Ferrellgas had a subleasing and a shared services agreement with Samson Dental Practice Management, LLC ("Samson"), a company wholly-owned by James E. Ferrell. During the three and nine months ended April 30, 2009, Ferrellgas received payments totaling $75 thousand and $195 thousand, respectively, for services provided to and sublease revenue receipts from Samson. This agreement was terminated during March 2010.

Elizabeth Solberg, a member of the general partner's Board of Directors, serves as the General Manager of Fleishman-Hillard Inc. During the three and nine months ended April 30, 2010, Ferrellgas paid Fleishman-Hillard Inc. $50 thousand and $142 thousand, respectively, for marketing and communications services. Ms. Solberg did not serve as the General Manager of Fleishman-Hillard, Inc. in 2009 and thus was not a related party during the three and nine months ended April 30, 2009.

See additional discussions about transactions with related parties in Note F — Partners' capital.





## I. Contingencies

Ferrellgas' operations are subject to all operating hazards and risks normally incidental to handling, storing, transporting and otherwise providing for use by consumers of combustible liquids such as propane. As a result, at any given time, Ferrellgas is threatened with or named as a defendant in various lawsuits arising in the ordinary course of business. Currently, Ferrellgas is not a party to any legal proceedings other than various claims and lawsuits arising in the ordinary course of business. 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 reasonably expected to have a material adverse effect on the financial condition, results of operations and cash flows of Ferrellgas.

Ferrellgas has been named as a defendant in lawsuits filed in multiple federal and state courts that seek to certify nationwide or statewide classes related to its Blue Rhino branded propane tank exchange activities. The plaintiffs in each case generally allege that Ferrellgas failed to inform consumers of the amount of propane contained in propane tanks they purchased and that Ferrellgas violated anti-trust laws by allegedly conspiring with a competitor. The federal cases have been coordinated for multidistrict treatment in the United States District Court for the Western District of Missouri. Based on Ferrellgas' business and consumer notification practices in its Blue Rhino tank exchange operations, Ferrellgas believes that all of these claims are without merit and intends to defend the claims vigorously.

**J. Net earnings per common unitholders' interest**

Below is a calculation of the basic and diluted net earnings per common unitholders' interest in the condensed consolidated statements of earnings for the periods indicated. In accordance with guidance issued by the FASB regarding participating securities and the two-class method, Ferrellgas calculates net earnings per common unitholders' interest for each period presented according to distributions declared and participation rights in undistributed earnings, as if all of the earnings for the period had been distributed. In periods with undistributed earnings above certain levels, the calculation according to the two-class method results in an increased allocation of undistributed earnings to the general partner and a dilution of the earnings to the limited partners. Due to the seasonality of the propane business, the dilution effect of the guidance on the two-class method typically impacts only the three months ending January 31. There was not a dilutive effect resulting from this guidance on basic and diluted net earnings per common unitholders' interest for the three months ended April 30, 2010 and 2009 or for the nine months ended April 30, 2010 and 2009.

In periods with year-to-date net losses, the allocation of the net losses to the limited partners and the general partner will be determined based on the same allocation basis specified in the Ferrellgas Partners' partnership agreement that would apply to periods in which there were no undistributed earnings. Ferrellgas typically incurs net losses in the three month period ended October 31.



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| | For the three months ended April 30, | | For the nine months ended April 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Common unitholders' interest in net earnings | $ 28,574 | $ 32,535 | $ 72,477 | $ 86,753 |
| Weighted average common units outstanding *(in thousands)* | 69,495.2 | 67,809.3 | 69,147.4 | 64,650.2 |
| Dilutive securities | 129.7 | 40.5 | 131.5 | 70.4 |
| Weighted average common units outstanding plus dilutive securities | 69,624.9 | 67,849.8 | 69,278.9 | 64,720.6 |
| Basic and diluted net earnings per common unitholders' interest | $ 0.41 | $ 0.48 | $ 1.05 | $ 1.34 |

**K. Subsequent events**

Ferrellgas has evaluated events and transactions occurring after the balance sheet date through the date Ferrellgas' condensed consolidated financial statements were issued, and concluded that, other than the event described below, there were no events or transactions occurring during this period that required recognition or disclosure in its financial statements.

During May 2010, Ferrellgas issued an irrevocable notice to redeem at par the entire $34.1 million outstanding principal amount of the 8.75% senior notes due 2012 prior to the end of fiscal 2010.



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**FERRELLGAS PARTNERS FINANCE CORP.**
**(A wholly-owned subsidiary of Ferrellgas Partners, L.P.)**

**CONDENSED BALANCE SHEETS**
**(in dollars)**
**(unaudited)**

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| **ASSETS** | | |

| | 2010 | 2009 |
|---|---|---|
| Cash | $ 1,000 | $ 1,000 |
| **Total assets** | $ 1,000 | $ 1,000 |

**STOCKHOLDER'S EQUITY**

| | 2010 | 2009 |
|---|---|---|
| Common stock, $1.00 par value; 2,000 shares authorized; 1,000 shares issued and outstanding | $ 1,000 | $ 1,000 |
| Additional paid in capital | 5,917 | 5,594 |
| Accumulated deficit | (5,917) | (5,594) |
| **Total stockholder's equity** | $ 1,000 | $ 1,000 |

**CONDENSED STATEMENTS OF EARNINGS**
**(in dollars)**
**(unaudited)**

| | For the three months ended April 30, | | For the nine months ended April 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| General and administrative expense | $ 126 | $ 400 | $ 323 | $ 445 |
| **Net loss** | $ (126) | $ (400) | $ (323) | $ (445) |

See notes to condensed financial statements.



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**FERRELLGAS PARTNERS FINANCE CORP.**
**(A wholly-owned subsidiary of Ferrellgas Partners, L.P.)**

**CONDENSED STATEMENTS OF CASH FLOWS**
**(in dollars)**
**(unaudited)**

| | For the nine months ended April 30, | |
|---|---|---|
| | 2010 | 2009 |
| **Cash flows from operating activities:** | | |
| Net loss | $ (323) | $ (445) |
| Cash used in operating activities | (323) | (445) |
| **Cash flows from financing activities:** | | |
| Capital contribution | 323 | 445 |
| Cash provided by financing activities | 323 | 445 |
| Change in cash | | — |
| Cash — beginning of period | 1,000 | 1,000 |
| **Cash — end of period** | $ 1,000 | $ 1,000 |

See notes to condensed financial statements.

**NOTES TO CONDENSED FINANCIAL STATEMENTS**
**April 30, 2010**
**(unaudited)**

**A. Formation**

Ferrellgas Partners Finance Corp. (the "Finance Corp."), a Delaware corporation, was formed on March 28, 1996, and is a wholly-owned subsidiary of Ferrellgas Partners, L.P (the "Partnership").

The condensed financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the interim periods presented. All adjustments to the condensed financial statements were of a normal, recurring nature.

The Finance Corp. has nominal assets, does not conduct any operations, has no employees and serves as co-issuer and co-obligor for debt securities of the Partnership.

**B. Commitment**

During April 2010, the Partnership completed a public offering of $280.0 million in aggregate principal amount of new 8.625% senior unsecured notes due 2020. The Finance Corp. serves as co-issuer and co-obligor for the senior notes.

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**FERRELLGAS, L.P. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(in thousands)**
**(unaudited)**

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 10,568 | $ 7,050 |
| Accounts and notes receivable, net | 135,872 | 106,910 |
| Inventories | 139,540 | 129,808 |
| Prepaid expenses and other current assets | 19,020 | 14,356 |
| **Total current assets** | 305,000 | 258,124 |
| Property, plant and equipment (net of accumulated depreciation of $544,076 and $521,044 at 2010 and 2009, respectively) | 665,068 | 666,535 |
| Goodwill | 248,939 | 248,939 |
| Intangible assets (net of accumulated amortization of $276,245 and $263,855 at 2010 and 2009, respectively) | 226,400 | 212,037 |
| Other assets, net | 31,684 | 17,414 |
| **Total assets** | $ 1,477,091 | $ 1,403,049 |
| **LIABILITIES AND PARTNERS' CAPITAL** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 70,540 | $ 49,337 |
| Short-term borrowings | 32,847 | 66,159 |
| Other current liabilities | 90,493 | 105,661 |
| **Total current liabilities** | 193,880 | 221,157 |
| Long-term debt | 789,879 | 740,982 |
| Other liabilities | 21,098 | 19,300 |
| Contingencies and commitments (Note I) | — | — |
| **Partners' capital** | | |
| Limited partner | 463,201 | 418,532 |
| General partner | 4,726 | 4,272 |
| Accumulated other comprehensive income (loss) | 4,307 | (1,194) |
| **Total partners' capital** | 472,234 | 421,610 |
| **Total liabilities and partners' capital** | $ 1,477,091 | $ 1,403,049 |

See notes to condensed consolidated financial statements.



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**FERRELLGAS, L.P. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**
**(in thousands)**
**(unaudited)**

| | For the three months ended April 30, | | For the nine months ended April 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **Revenues:** | | | | |
| Propane and other gas liquids sales | $ 536,024 | $ 461,850 | $ 1,588,038 | $ 1,546,274 |
| Other | 79,266 | 99,283 | 157,174 | 210,558 |
| **Total revenues** | 615,290 | 561,133 | 1,745,212 | 1,756,832 |
| **Costs and expenses:** | | | | |
| Cost of product sold - propane and other gas liquids sales | 355,316 | 295,881 | 1,060,216 | 1,042,153 |
| Cost of product sold - other | 51,132 | 75,714 | 82,520 | 136,153 |
| Operating expense | 106,398 | 94,925 | 307,649 | 296,715 |
| Depreciation and amortization expense | 20,848 | 20,635 | 62,022 | 62,170 |

| | | | | |
|---|---|---|---|---|
| General and administrative expense | 11,893 | 8,520 | 37,017 | 29,367 |
| Equipment lease expense | 3,259 | 4,282 | 10,160 | 14,418 |
| Employee stock ownership plan compensation charge | 2,698 | 1,460 | 6,961 | 4,865 |
| Loss on disposal of assets and other | 2,696 | 2,323 | 5,480 | 8,924 |
| **Operating income** | 61,050 | 57,393 | 173,187 | 162,067 |
| Interest expense | (19,875) | (16,100) | (56,934) | (51,311) |
| Debt prepayment premiums | — | — | (17,308) | — |
| Other income (expense), net | 214 | (190) | (342) | (1,351) |
| **Earnings before income taxes** | 41,389 | 41,103 | 98,603 | 109,405 |
| Income tax expense | 1,728 | 1,810 | 1,980 | 2,629 |
| **Net earnings** | $ 39,661 | $ 39,293 | $ 96,623 | $ 106,776 |

See notes to condensed consolidated financial statements.



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**FERRELLGAS, L.P. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL**
**(in thousands)**
**(unaudited)**

| | | | Accumulated other comprehensive income (loss) | | | |
|---|---|---|---|---|---|---|
| | Limited partner | General partner | Risk management | Currency translation adjustments | Pension liability | Total partners' capital |
| **July 31, 2009** | $ 418,532 | $ 4,272 | $ (989) | $ 22 | $ (227) | $ 421,610 |
| Contributions in connection with ESOP and stock-based compensation charges | 11,037 | 112 | — | — | — | 11,149 |
| Contributions in connection with acquisitions | 3,061 | 31 | — | — | — | 3,092 |
| Cash contributed by Ferrellgas Partners and general partner | 51,300 | 523 | — | — | — | 51,823 |
| Quarterly distributions | (116,376) | (1,188) | — | — | — | (117,564) |
| Comprehensive income: | | | | | | |
| Net earnings | 95,647 | 976 | — | — | — | 96,623 |
| Other comprehensive income: | | | | | | |
| Net earnings on risk management derivatives | — | — | 15,192 | — | — | |
| Reclassification of derivatives to earnings | — | — | (9,695) | — | — | |
| Foreign currency translation adjustment | — | — | — | 5 | — | |
| Tax effect on foreign currency translation adjustment | — | — | — | (1) | — | 5,501 |
| Comprehensive income | | | | | | 102,124 |
| **April 30, 2010** | $ 463,201 | $ 4,726 | $ 4,508 | $ 26 | $ (227) | $ 472,234 |

See notes to condensed consolidated financial statements.



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**FERRELLGAS, L.P. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands)**
**(unaudited)**

| | For the nine months ended April 30, | |
|---|---|---|
| | 2010 | 2009 |

| | | |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net earnings | $ 96,623 | $ 106,776 |
| Reconciliation of net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 62,022 | 62,170 |
| Employee stock ownership plan compensation charge | 6,961 | 4,865 |
| Stock-based compensation charge | 4,188 | 1,109 |
| Loss on disposal of assets | 3,161 | 2,977 |
| Loss on transfer of accounts receivable related to the accounts receivable securitization | 6,699 | 9,084 |
| Deferred tax expense | 247 | 404 |
| Other | 7,572 | 5,567 |
| Changes in operating assets and liabilities, net of effects from business acquisitions: | | |
| Accounts and notes receivable, net of securitization | (82,819) | (22,952) |
| Inventories | (9,732) | 42,303 |
| Prepaid expenses and other current assets | (3,287) | (3,218) |
| Accounts payable | 21,288 | 10,956 |
| Accrued interest expense | 1,280 | 3,270 |
| Other current liabilities | (13,046) | (8,210) |
| Other liabilities | 1,342 | (1,273) |
| Accounts receivable securitization: | | |
| Proceeds from new accounts receivable securitizations | 124,000 | 109,000 |
| Proceeds from collections reinvested in revolving period accounts receivable securitizations | 1,104,352 | 1,001,169 |
| Remittances of amounts collected as servicer of accounts receivable securitizations | (1,179,352) | (1,118,169) |
| Net cash provided by operating activities | 151,499 | 205,828 |
| **Cash flows from investing activities:** | | |
| Business acquisitions, net of cash acquired | (40,914) | (258) |
| Capital expenditures | (33,557) | (43,549) |
| Proceeds from sale of assets | 4,597 | 6,878 |
| Other | (3,686) | (3,668) |
| Net cash used in investing activities | (73,560) | (40,597) |
| **Cash flows from financing activities:** | | |
| Distributions | (117,564) | (110,993) |
| Proceeds from increase in long-term debt | 614,274 | 198,234 |
| Reductions in long-term debt | (573,933) | (238,839) |
| Net reductions in short-term borrowings | (33,312) | (84,149) |
| Contributions from partners | 51,823 | 70,564 |
| Cash paid for financing costs | (15,713) | (3,945) |
| Net cash used in financing activities | (74,425) | (169,128) |
| **Effect of exchange rate changes on cash** | 4 | (11) |
| Increase (decrease) in cash and cash equivalents | 3,518 | (3,908) |
| Cash and cash equivalents - beginning of period | 7,050 | 16,545 |
| **Cash and cash equivalents - end of period** | $ 10,568 | $ 12,637 |

See notes to condensed consolidated financial statements.



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**FERRELLGAS, L.P. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**April 30, 2010**
**(Dollars in thousands, unless otherwise designated)**
**(unaudited)**

## A. Partnership organization and formation

Ferrellgas, L.P. is a limited partnership that owns and operates propane distribution and related assets. Ferrellgas Partners, L.P. (“Ferrellgas Partners”), a publicly traded limited partnership, owns an approximate 99% limited partner interest in, and consolidates, Ferrellgas, L.P. Ferrellgas, Inc. (the “general partner”), a wholly-owned subsidiary of Ferrell Companies, Inc. (“Ferrell Companies”), holds an approximate 1% general partner interest in Ferrellgas, L.P. and performs all management functions required by Ferrellgas, L.P.

Ferrellgas, L.P. owns a 100% equity interest in Ferrellgas Finance Corp., whose only business activity is to act as the co-issuer and co-obligor of any debt issued by Ferrellgas, L.P.

The condensed consolidated financial statements of Ferrellgas, L.P. and subsidiaries reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the interim periods presented. All adjustments to the condensed consolidated financial statements were of a normal, recurring nature. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with (i) the section entitled

"Management's Discussion and Analysis of Financial Condition and Results of Operations" and (ii) the consolidated financial statements and accompanying notes, each as set forth in Ferrellgas, L.P.'s Annual Report on Form 10-K for fiscal 2009.

**B. Summary of significant accounting policies**

*(1) Nature of operations:*

Ferrellgas, L.P. is engaged primarily in the distribution of propane and related equipment and supplies in the United States. The propane distribution market is seasonal because propane is used primarily for heating in residential and commercial buildings. Therefore, the results of operations for the nine months ended April 30, 2010 and 2009 are not necessarily indicative of the results to be expected for a full fiscal year. We serve approximately one million residential, industrial/commercial, portable tank exchange, agricultural, wholesale and other customers in all 50 states, the District of Columbia and Puerto Rico.

*(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 financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Significant estimates impacting the condensed consolidated financial statements include accruals that have been established for contingent liabilities, pending claims and legal actions arising in the normal course of business, useful lives of property, plant and equipment assets, residual values of tanks, capitalization of customer tank installation costs, amortization methods of intangible assets, valuation methods used to value sales returns and allowances, allowance for doubtful accounts, financial derivative contracts and stock and unit-based compensation calculations.



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*(3) Supplemental cash flow information:*

Certain cash flow and significant non-cash activities are presented below**:**

| | For the nine months ended April 30, | |
|---|---|---|
| | 2010 | 2009 |
| CASH PAID FOR: | | |
| Interest | $ 48,547 | $ 42,599 |
| Income taxes | 916 | 786 |
| NON-CASH INVESTING ACTIVITIES: | | |
| Assets contributed from Ferrellgas Partners in connection with acquisitions | $ 3,061 | $ 4,515 |
| Issuance of liabilities in connection with acquisitions | 5,494 | 1,002 |
| Property, plant and equipment additions | 868 | 1,604 |

*(4) Accounts receivable securitization:*

Ferrellgas, L.P. has agreements to transfer, on an ongoing basis, a portion of its trade accounts receivable through Ferrellgas Receivables, an accounts receivable securitization facility that is a wholly-owned unconsolidated special purpose entity. Ferrellgas, L.P. retains servicing responsibilities as well as a retained interest in the transferred receivables. Ferrellgas, L.P. also holds a note receivable from Ferrellgas Receivables to the extent that expected cash proceeds from the sales of accounts receivable to Ferrellgas Receivables have not been received. Ferrellgas, L.P. has no other continuing involvement with the transferred receivables, other than servicing the receivables. The related receivables are transferred from the condensed consolidated balance sheets and a retained interest and note receivable are recorded for the amount of receivables sold in excess of cash received and a related loss on the transfer is recorded, which represents the discount on the sale. The retained interest are included in "Accounts and notes receivable, net" in the condensed consolidated balance sheets.

Ferrellgas, L.P. determines the fair value of its retained interest and note receivable based on the present value of future expected cash flows using management's best estimates of various factors, including credit loss experience and discount rates commensurate with the risks involved. These assumptions are updated periodically based on actual results; therefore, the estimated credit loss and discount rates utilized are materially consistent with historical performance. Due to the short-term nature of Ferrellgas, L.P.'s trade receivables, variations in the credit and discount assumptions would not significantly impact the fair value of the retained interests and note receivable. Costs associated with the sale of receivables are included in "Loss on disposal of assets and other" in the condensed consolidated statements of earnings. See Note D — Accounts and notes receivable, net and accounts receivable securitization — for further discussion of these transactions.

*(5) New accounting standards:*

**Transfers of Financial Assets**

In June 2009, the Financial Accounting Standards Board (the "FASB") issued guidance that amends the previous derecognition guidance to improve the accounting for transfers of financial assets. This guidance is effective for financial asset transfers that occur in annual reporting periods beginning after November 15, 2009. The adoption of this guidance on August 1, 2010, will require Ferrellgas, L.P. to consolidate Ferrellgas Receivables, a wholly-owned unconsolidated special purpose entity. As a result of the derecognition guidance amendments, beginning August 1, 2010, trade receivables owned by Ferrellgas Receivables will be recorded with a corresponding short-term liability on Ferrellgas, L.P.'s condensed consolidated balance sheets. Ferrellgas, L.P. does not expect the consolidation of Ferrellgas Receivables to have a significant impact on its financial position, results of operations or cash flows.

**Variable Interest Entities**

In June 2009, the FASB issued guidance that changes the approach to determining a variable interest entity's primary beneficiary and requires ongoing reassessments of whether an enterprise is the





primary beneficiary of a variable interest entity. This guidance is effective for annual reporting periods beginning after November 15, 2009. Ferrellgas, L.P. does not expect the adoption of this guidance to have a significant impact on its financial position, results of operations or cash flows.

**FASB Codification**

In June 2009, the FASB approved its Accounting Standards Codification ("Codification") as the exclusive authoritative reference for U.S. GAAP for SEC registrants. The Codification, which changes the referencing of accounting standards, is effective for interim and annual reporting periods ending after September 15, 2009. The adoption of the Codification effective August 1, 2009 did not have a significant impact on Ferrellgas, L.P.'s financial position, results of operations or cash flows.

**Business Combinations**

In December 2007, the FASB issued guidance that establishes principles and requirements for how the acquirer in a business combination recognizes and measures the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, how the acquirer recognizes and measures goodwill or a gain from a bargain purchase (formerly negative goodwill) and how the acquirer determines what information to disclose. This guidance is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this guidance effective August 1, 2009 did not have a significant impact on Ferrellgas, L.P.'s financial position, results of operations or cash flows.

## C. Supplemental financial statement information

Inventories consist of the following:

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| Propane gas and related products | $ 119,761 | $ 109,606 |
| Appliances, parts and supplies | 19,779 | 20,202 |
| Inventories | $ 139,540 | $ 129,808 |

In addition to inventories on hand, Ferrellgas, L.P. enters into contracts primarily to buy propane for supply procurement purposes. Most of these contracts have terms of less than one year and call for payment based on market prices at the date of delivery. All supply procurement fixed price contracts have terms of fewer than 24 months. As of April 30, 2010, Ferrellgas, L.P. had committed, for supply procurement purposes, to take net delivery of approximately 24.2 million gallons of propane at fixed prices.

Other current liabilities consist of the following:

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| Accrued interest | $ 18,003 | $ 16,723 |
| Accrued payroll | 16,513 | 23,395 |
| Customer deposits and advances | 17,608 | 23,115 |
| Other | 38,369 | 42,428 |
| Other current liabilities | $ 90,493 | $ 105,661 |

Loss on disposal of assets and other consists of the following:

| | For the three months ended April 30, 2010 | For the three months ended April 30, 2009 | For the nine months ended April 30, 2010 | For the nine months ended April 30, 2009 |
|---|---|---|---|---|
| (Gain) loss on disposal of assets | $ 1,802 | $ (53) | $ 3,161 | $ 2,977 |
| Loss on transfer of accounts receivable related to the accounts receivable securitization | 2,731 | 3,563 | 6,699 | 9,084 |
| Service income related to the accounts receivable securitization | (1,837) | (1,187) | (4,380) | (3,137) |
| Loss on disposal of assets and other | $ 2,696 | $ 2,323 | $ 5,480 | $ 8,924 |





Shipping and handling expenses are classified in the following condensed consolidated statements of earnings line items:

| | For the three months ended April 30, 2010 | For the three months ended April 30, 2009 | For the nine months ended April 30, 2010 | For the nine months ended April 30, 2009 |
|---|---|---|---|---|
| Operating expense | $ 50,724 | $ 42,581 | $ 142,091 | $ 134,193 |
| Depreciation and amortization expense | 1,431 | 1,256 | 4,132 | 3,689 |
| Equipment lease expense | 3,438 | 4,176 | 10,677 | 13,498 |
| | $ 55,593 | $ 48,013 | $ 156,900 | $ 151,380 |

## D. Accounts and notes receivable, net and accounts receivable securitization

Accounts and notes receivable, net consist of the following:

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| Accounts receivable | $ 65,000 | $ 33,903 |
| Note receivable from Ferrellgas Receivables | 46,285 | 52,038 |
| Retained interest | 29,022 | 24,979 |
| Other | 260 | 284 |
| Less: Allowance for doubtful accounts | (4,695) | (4,294) |
| Accounts and notes receivable, net | $ 135,872 | $ 106,910 |

During April 2010, Ferrellgas, L.P. executed a new accounts receivable securitization facility with Wells Fargo Bank, N.A., Fifth Third Bank and BNP Paribas. This new accounts receivable securitization facility has $145.0 million of capacity, matures on April 4, 2013 and replaces Ferrellgas, L.P.'s previous 364-day facility which was to expire on April 14, 2010. As part of this new facility, Ferrellgas, L.P. transfers a portion of its trade accounts receivable to Ferrellgas Receivables, which finances its acquisition of the trade receivable assets by issuing beneficial interests in (securitizing) the receivables to a commercial paper conduit for proceeds of up to $145.0 million. Ferrellgas, L.P. does not provide any guarantee or similar support to the collectability of these receivables. Ferrellgas, L.P. structured the facility using a wholly-owned, unconsolidated special purpose entity in order to facilitate the transaction while complying with Ferrellgas, L.P.'s various debt covenants. If the covenants are compromised, funding from the facility could be restricted or suspended, or its costs could increase. As a servicer, Ferrellgas, L.P. remits daily to this special purpose entity funds collected on the trade receivables held by Ferrellgas Receivables.

Ferrellgas, L.P. transfers a portion of its trade accounts receivable to Ferrellgas Receivables and retains an interest and a note receivable related to these transferred receivables. As these transferred receivables are subsequently collected, the funding from the accounts receivable securitization facility is reduced. Ferrellgas Receivables recorded the following on its balance sheet:

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| Trade accounts receivable transferred from Ferrellgas, L.P. | $ 164,905 | $ 118,982 |
| Note payable to Ferrellgas, L.P. | 46,285 | 52,038 |



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Ferrellgas, L.P.'s condensed consolidated balance sheets do not include trade accounts receivables transferred, but do include a note receivable from Ferrellgas Receivables which represents expected cash proceeds from the sale of accounts receivable to Ferrellgas Receivables that have not yet been received. As of April 30, 2010, Ferrellgas, L.P. had received proceeds from trade accounts receivable sales of $86.0 million with the ability to receive proceeds of an additional $15.0 million.

Other accounts receivable securitization activity consists of the following:

| | For the three months ended April 30, | | For the nine months ended April 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Net non-cash activity | $ 894 | $ 2,376 | $ 2,319 | $ 5,947 |
| Bad debt expense | — | 300 | (500) | 600 |

The net non-cash activity reported in "Loss on disposal of assets and other" in the condensed consolidated statements of earnings approximates the financing cost of issuing commercial paper backed by these accounts receivable transferred to Ferrellgas Receivables. See details of the net non-cash activity disclosed in Note C — Supplemental financial statement information — "Loss on transfer of accounts receivable related to the accounts receivable securitization" and "Service income related to the accounts receivable securitization." The weighted average discount rate used to value the retained interest in the transferred receivables was 3.4% and 3.6% as of April 30, 2010 and July 31, 2009, respectively.

## E. Debt

***Short-term borrowings***

Ferrellgas, L.P. classified a portion of its credit facility borrowings as short-term because it was used to fund working capital needs that management had intended to pay down within the 12 month period following each balance sheet date. As of April 30, 2010 and July 31, 2009, $32.8 million and $66.2 million, respectively, were classified as short-term borrowings. For further discussion see the secured credit facility section below.

***Long-term debt***

Long-term debt consists of the following:

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| **Senior notes** | | |
| Fixed rate, 6.75% due 2014, net of unamortized discount of $23,137 and $26,458 at April 30, 2010 and July 31, 2009, respectively | $ 426,863 | $ 423,542 |
| Fixed rate, 9.125%, due 2017, net of unamortized discount of $3,964 | 296,036 | — |
| Fixed rate, Series D-E, ranging from 7.24% to 7.42% due 2010-2013 | — | 152,000 |
| Fixed rate, Series C, 8.87%, due 2009 | — | 73,000 |

| | | |
|---|---|---|
| **Credit facility** | | |
| Secured, variable interest rate, expiring 2012 (net of $32.8 million classified as short-term borrowings) | 59,653 | — |
| Unsecured, variable interest rate, expiring 2010 (net of $66.2 million classified as short-term borrowings) | — | 88,541 |
| **Notes payable**, 9.5% and 8.4% weighted average interest rate at April 30, 2010 and July 31, 2009, respectively, due 2010 to 2016, net of unamortized discount of $3,224 and $1,301 at April 30, 2010 and July 31, 2009, respectively | 9,706 | 5,321 |
| | 792,258 | 742,404 |
| Less: current portion, included in other current liabilities on the condensed consolidated balance sheets | 2,379 | 1,422 |
| **Long-term debt** | $ 789,879 | $ 740,982 |



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*Senior notes*

During August 2009, Ferrellgas, L.P. made scheduled principal payments of $73.0 million on the 8.87% Series C senior notes.

During September 2009, Ferrellgas, L.P. issued $300.0 million in aggregate principal amount of new 9.125% senior notes due 2017 at an offering price equal to 98.6% of par with the proceeds used to fund the October 2009 note payments discussed below and to reduce borrowings on the unsecured credit facility due April 2010.

During October 2009, Ferrellgas, L.P. prepaid the outstanding principal amount on its $82.0 million 7.24% series D notes due August 1, 2010 and its $70.0 million 7.42% series E notes due August 1, 2013 and the related prepayment premiums of $17.3 million.

*Secured credit facility*

During November 2009, Ferrellgas, L.P. closed on a new secured credit facility that provides $400.0 million in revolving credit for loans and has a $200.0 million sublimit for letters of credit. This secured credit facility replaced Ferrellgas, L.P.'s unsecured credit facility due April 2010 and will mature in November 2012.

The secured credit facility contains various affirmative and negative covenants and default provisions, as well as requirements with respect to the maintenance of specified financial ratios and limitations on the making of loans and investments.

During April 2010, Ferrellgas, L.P. received a cash contribution of $30.5 million and $0.3 million from Ferrellgas Partners and the general partner, respectively, which was used to reduce borrowings under the secured credit facility. As of April 30, 2010, Ferrellgas, L.P. had total borrowings outstanding under this secured credit facility due November 2012 of $92.5 million, of which $59.7 million was classified as long-term debt.

Borrowings under the secured credit facility due November 2012 had a weighted average interest rate of 4.63% at April 30, 2010. All borrowings under the facility bear interest, at Ferrellgas, L.P.'s option, at a rate equal to either:

- for Base Rate Loans or Swing Line Loans, the Base Rate, which is defined as the higher of i) the federal funds rate plus 0.50%, ii) Bank of America's prime rate; or iii) the Eurodollar Rate plus 1%; plus a margin varying from 2.50% to 3.25% (as of April 30, 2010, the margin was 3.00%); or

- for Eurodollar Rate Loans, the Eurodollar Rate, which is defined as the LIBOR Rate plus a margin varying from 3.50% to 4.25% (as of April 30, 2010, the margin was 4.00%).

As of April 30, 2010, the federal funds rate and Bank of America's prime rate were 0.20% and 3.25%, respectively. As of April 30, 2010, the one-month and three-month Eurodollar Rates were 0.30% and 0.40%, respectively).



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In addition, an annual commitment fee is payable at a per annum rate of 0.50% times the actual daily amount by which the facility exceeds the sum of (i) the outstanding amount of revolving credit loans and (ii) the outstanding amount of letter of credit obligations.

The obligations under this secured credit facility are secured by substantially all assets of Ferrellgas, L.P., the general partner and certain subsidiaries of Ferrellgas, L.P. but specifically excluding (a) assets that are subject to Ferrellgas, L.P.'s receivables securitization facility, (b) the general partner's equity interest in Ferrellgas Partners and (c) equity interest in certain unrestricted subsidiaries. Such obligations are also guaranteed by the general partner and certain subsidiaries of Ferrellgas, L.P.

Letters of credit outstanding at April 30, 2010 totaled $47.1 million and were used primarily to secure insurance arrangements and to a lesser extent, product purchases. Letters of credit outstanding at July 31, 2009 totaled $44.4 million and were used primarily to secure insurance arrangements and to a lesser extent, product purchases. At April 30, 2010, Ferrellgas, L.P. had available letter of credit remaining capacity of $152.9 million. At July 31, 2009, Ferrellgas, L.P. had available letter of credit remaining capacity of $105.6 million.

## F. Partners' capital

*Partnership contributions*

During October 2009, Ferrellgas, L.P. received cash contributions of $20.0 million and $0.2 million from Ferrellgas Partners and the general partner, respectively. The proceeds were used to reduce borrowings outstanding under the unsecured credit facility. Ferrellgas, L.P. also received asset contributions of $3.1 million in connection with the acquisition of propane distribution assets.

During April 2010, Ferrellgas, L.P. received cash contributions of $30.5 million and $0.3 million from Ferrellgas Partners and the general partner, respectively. The proceeds were used to reduce borrowings outstanding under the secured credit facility.

*Partnership distributions paid*

Ferrellgas, L.P. has paid the following distributions:

| | For the three months ended April 30, | | For the nine months ended April 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Ferrellgas Partners | $ 35,112 | $ 34,433 | $ 116,376 | $ 109,872 |
| General partner | 359 | 351 | 1,188 | 1,121 |
| | $ 35,471 | $ 34,784 | $ 117,564 | $ 110,993 |

On May 27, 2010, Ferrellgas, L.P. declared distributions for the three months ended April 30, 2010 to Ferrellgas Partners and the general partner of $75.5 million and $0.8 million, respectively, which is expected to be paid on June 14, 2010.

See additional discussions about transactions with related parties in Note H — Transactions with related parties.

*Other comprehensive income ("OCI")*

See Note G — Derivatives — for details regarding changes in fair value on risk management financial derivatives recorded within OCI for the nine months ended April 30, 2010.





## G. Derivatives

*Commodity Price Risk Management*

Ferrellgas, L.P.'s risk management activities primarily attempt to mitigate price risks related to the purchase, storage, transport and sale of propane generally in the contract and spot markets from major domestic energy companies on a short-term basis. Ferrellgas, L.P. attempts to mitigate these price risks through the use of financial derivative instruments and forward propane purchase and sales contracts.

Ferrellgas, L.P.'s risk management strategy involves taking positions in the forward or financial markets that are equal and opposite to Ferrellgas, L.P.'s positions in the physical products market in order to minimize the risk of financial loss from an adverse price change. This risk management strategy is successful when Ferrellgas, L.P.'s gains or losses in the physical product markets are offset by its losses or gains in the forward or financial markets. These financial derivatives are designated as cash flow hedges.

Ferrellgas, L.P.'s risk management activities include the use of financial derivative instruments including, but not limited to, price swaps, options, futures and basis swaps to seek protection from adverse price movements and to minimize potential losses. Ferrellgas, L.P. enters into these financial derivative instruments directly with third parties in the over-the-counter market and with brokers who are clearing members with the New York Mercantile Exchange. Ferrellgas, L.P. also enters into forward propane purchase and sales contracts with counterparties. These forward contracts qualify for the normal purchase normal sales exception within GAAP guidance and are therefore not recorded by Ferrellgas, L.P. prior to settlement.

*Cash Flow Hedging Activity*

Ferrellgas, L.P. uses financial derivative instruments for risk management purposes to hedge a portion of its exposure to market fluctuations in propane prices. These financial derivative instruments are designated as cash flow hedging instruments, thus the effective portions of changes in the fair value of the financial derivatives are recorded in OCI prior to settlement and are subsequently recognized in the condensed consolidated statements of earnings in "Cost of goods sold — propane and other gas liquids sales" when the forward or forecasted propane sales transaction impacts earnings. The effectiveness of cash flow hedges is evaluated at inception and on an on-going basis. Changes in the fair value of cash flow hedges due to hedge ineffectiveness, if any, are recognized in "Cost of product sold — propane and other gas liquids sales." During the nine months ended April 30, 2010 and 2009, Ferrellgas, L.P. did not recognize any gain or loss in earnings related to hedge ineffectiveness and did not exclude any component of the financial derivative contract gain or loss from the assessment of hedge effectiveness related to these cash flow hedges.

The fair value of the financial derivative instruments below are included within "Prepaid expenses and other current assets" and "Other current liabilities" on the condensed consolidated balance sheets:

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| Derivatives — Price risk management assets | $ 4,595 | $ 3,391 |
| Derivatives — Price risk management liabilities | 87 | 4,380 |

Ferrellgas, L.P. had the following cash flow hedge activity included in OCI in the condensed consolidated statement of partners' capital:

| | For the nine months ended April 30, 2010 | For the nine months ended April 30, 2009 |
|---|---|---|
| Fair value gain (loss) adjustment classified as OCI with offset in Price risk management assets and Price risk management liabilities | $ 15,192 | $ (172,942) |
| Reclassification of net gains (losses) originally recorded within OCI to Cost of product sold — propane and other gas liquids | 9,695 | (120,415) |

Ferrellgas, L.P. expects to reclassify net gains of approximately $4.5 million to earnings during the next 12 months. These net gains are expected to be offset by margins on propane sales commitments Ferrellgas, L.P. has with its customers that qualify for the normal purchase normal sales exception.

During the nine months ended April 30, 2010 and 2009, Ferrellgas, L.P. had no reclassifications to earnings resulting from discontinuance of any cash flow hedges arising from the probability of the original forecasted transactions not occurring within the originally specified period of time defined within the hedging relationship.

As of April 30, 2010, Ferrellgas, L.P. had financial derivative contracts covering 0.8 million barrels of propane that were entered into as cash flow hedges of forward and forecasted purchases of propane.

During the nine months ended April 30, 2010 and 2009, four counterparties represented 76% and 82%, respectively, of net settled cash flow hedging positions reported in "Cost of goods sold — propane and other gas liquids sales." During the nine months ended April 30, 2010 and 2009, Ferrellgas, L.P. neither held nor entered into financial derivative contracts that contained credit risk related contingency features.

In accordance with GAAP, Ferrellgas, L.P. determines the fair value of its assets and liabilities subject to fair value measurement by using the highest possible "Level" as defined within the GAAP hierarchy. The three levels defined by the GAAP hierarchy are as follows:

- Level 1 — Quoted prices available in active markets for identical assets or liabilities.
- Level 2 — Pricing inputs not quoted in active markets but either directly or indirectly observable.
- Level 3 — Significant inputs to pricing that have little or no transparency with inputs requiring significant management judgment or estimation.

Ferrellgas, L.P. considers over-the-counter derivative instruments entered into directly with third parties as Level 2 valuation since the values of these derivatives are quoted by third party brokers and are on an exchange for similar transactions. The market prices used to value Ferrellgas, L.P.'s derivatives have been determined using independent third party prices, readily available market information, broker quotes, and appropriate valuation techniques.

At April 30, 2010 and July 31, 2009, all derivative assets and liabilities qualified for classification as Level 2 - other observable inputs as defined by the GAAP hierarchy. All financial derivatives assets and liabilities were non-trading positions.

## H. Transactions with related parties

Ferrellgas, L.P. has no employees and is managed and controlled by its general partner. Pursuant to Ferrellgas, L.P.'s partnership agreement, the general partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of Ferrellgas, L.P., and all other necessary or appropriate expenses allocable to Ferrellgas, L.P. or otherwise reasonably incurred by its general partner in connection with operating Ferrellgas, L.P.'s business. These costs primarily include compensation and benefits paid to employees of the general partner who perform services on Ferrellgas, L.P.'s behalf and are reported in the condensed consolidated statements of earnings as





follows:

| | For the three months ended April 30, 2010 | For the three months ended April 30, 2009 | For the nine months ended April 30, 2010 | For the nine months ended April 30, 2009 |
|---|---|---|---|---|
| Operating expense | $ 57,690 | $ 50,122 | $ 169,642 | $ 158,929 |
| General and administrative expense | 6,442 | 5,879 | 18,624 | 17,622 |

During fiscal 2009, Ferrellgas, L.P. had a subleasing and a shared services agreement with Samson Dental Practice Management, LLC ("Samson"), a company wholly-owned by James E. Ferrell. During the three and nine months ended April 30, 2009, Ferrellgas, L.P. received payments totaling $75 thousand and $195 thousand, respectively, for services provided to and sublease revenue receipts from Samson. This agreement was terminated during March 2010.

Elizabeth Solberg, a member of the general partner's Board of Directors, serves as the General Manager of Fleishman—Hillard Inc. During the three and nine months ended April 30, 2010, Ferrellgas, L.P. paid Fleishman-Hillard Inc. $50 thousand and $142 thousand, respectively, for marketing and communications services. Ms. Solberg did not serve as the General Manager of Fleishman-Hillard Inc. in 2009 and thus was not a related party during the three and nine months ended April 30, 2009.

See additional discussions about transactions with related parties in Note F — Partners' capital.

## I. Contingencies

Ferrellgas, L.P.'s operations are subject to all operating hazards and risks normally incidental to handling, storing, transporting and otherwise providing for use by consumers of combustible liquids such as propane. As a result, at any given time, Ferrellgas, L.P. is threatened with or named as a defendant in various lawsuits arising in the ordinary course of business. Currently, Ferrellgas, L.P. is not a party to any legal proceedings other than various claims and lawsuits arising in the ordinary course of business. 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 reasonably expected to have a material adverse effect on the financial condition, results of operations and cash flows of Ferrellgas, L.P.

Ferrellgas, L.P. has been named as a defendant in lawsuits filed in multiple federal and state courts that seek to certify nationwide or statewide classes related to its Blue Rhino branded propane tank exchange activities. The plaintiffs in each case generally allege that Ferrellgas, L.P. failed to inform consumers of the amount of propane contained in propane tanks they purchased and that Ferrellgas, L.P. violated anti-trust laws by allegedly conspiring with a competitor. The federal cases have been coordinated for multidistrict treatment in the United States District Court for the Western District of Missouri. Based on Ferrellgas, L.P.'s business and consumer notification practices in its Blue Rhino tank exchange operations, Ferrellgas, L.P. believes that all of these claims are without merit and intends to defend the claims vigorously.

**J. Subsequent events**

Ferrellgas, L.P. has evaluated events and transactions occurring after the balance sheet date through the date Ferrellgas, L.P.'s condensed consolidated financial statements were issued, and concluded that there were no events or transactions occurring during this period that required recognition or disclosure in its financial statements.



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**FERRELLGAS FINANCE CORP.**
**(A wholly-owned subsidiary of Ferrellgas, L.P.)**

**CONDENSED BALANCE SHEETS**
**(in dollars)**
**(unaudited)**

| | April 30, 2010 | July 31, 2009 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 1,100 | $ 1,100 |
| **Total assets** | $ 1,100 | $ 1,100 |
| **STOCKHOLDER'S EQUITY** | | |
| Common stock, $1.00 par value; 2,000 shares authorized; 1,000 shares issued and outstanding | $ 1,000 | $ 1,000 |
| Additional paid in capital | 10,055 | 6,757 |
| Accumulated deficit | (9,955) | (6,657) |
| **Total stockholder's equity** | $ 1,100 | $ 1,100 |

**CONDENSED STATEMENTS OF EARNINGS**
**(in dollars)**
**(unaudited)**

| | For the three months ended April 30, | | For the nine months ended April 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| General and administrative expense | $ 126 | $ 445 | $ 3,298 | $ 3,445 |
| **Net loss** | $ (126) | $ (445) | $ (3,298) | $ (3,445) |

See notes to condensed financial statements.



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**FERRELLGAS FINANCE CORP.**
**(A wholly-owned subsidiary of Ferrellgas, L.P.)**

**CONDENSED STATEMENTS OF CASH FLOWS**
**(in dollars)**
**(unaudited)**

| | For the nine months ended April 30, | |
|---|---|---|
| | 2010 | 2009 |
| **Cash flows from operating activities:** | | |
| Net loss | $ (3,298) | $ (3,445) |

| | | |
|---|---|---|
| Cash used in operating activities | (3,298) | (3,445) |
| **Cash flows from financing activities:** | | |
| Capital contribution | 3,298 | 3,445 |
| Cash provided by financing activities | 3,298 | 3,445 |
| Change in cash | — | — |
| Cash — beginning of period | 1,100 | 1,100 |
| **Cash — end of period** | $ 1,100 | $ 1,100 |

See notes to condensed financial statements.

**NOTES TO CONDENSED FINANCIAL STATEMENTS**
**April 30, 2010**
**(unaudited)**

**A. Formation**

Ferrellgas Finance Corp. (the "Finance Corp."), a Delaware corporation, was formed on January 16, 2003 and is a wholly-owned subsidiary of Ferrellgas, L.P (the "Partnership").

The condensed financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the interim periods presented. All adjustments to the condensed financial statements were of a normal, recurring nature.

The Finance Corp. has nominal assets, does not conduct any operations, has no employees and serves as co-issuer and co-obligor for debt securities of the Partnership.

**B. Commitment**

During September 2009, the Partnership issued $300.0 million in aggregate principal amount of new 9.125% senior unsecured notes due 2017 at an offering price equal to 98.6% of par. The Finance Corp. serves as co-issuer and co-obligor for the senior notes.



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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Our management's discussion and analysis of financial condition and results of operations relates to Ferrellgas Partners, L.P. and Ferrellgas, L.P.

Ferrellgas Partners Finance Corp. and Ferrellgas Finance Corp. have nominal assets, do not conduct any operations and have no employees other than officers. Ferrellgas Partners Finance Corp. serves as co-issuer and co-obligor for debt securities of Ferrellgas Partners, L.P. and Ferrellgas Finance Corp. serves as co-issuer and co-obligor for debt securities of Ferrellgas, L.P. Accordingly, and due to the reduced disclosure format, a discussion of the results of operations, liquidity and capital resources of Ferrellgas Partners Finance Corp. and Ferrellgas Finance Corp. is not presented in this section.

In this Quarterly Report on Form 10-Q, unless the context indicates otherwise:

- "us," "we," "our," "ours," or "consolidated" are references exclusively to Ferrellgas Partners, L.P. together with its consolidated subsidiaries, including Ferrellgas Partners Finance Corp., Ferrellgas, L.P. and Ferrellgas Finance Corp., except when used in connection with "common units," in which case these terms refer to Ferrellgas Partners, L.P. without its consolidated subsidiaries;
- "Ferrellgas Partners" refers to Ferrellgas Partners, L.P. itself, without its consolidated subsidiaries;
- the "operating partnership" refers to Ferrellgas, L.P., together with its consolidated subsidiaries, including Ferrellgas Finance Corp.;
- our "general partner" refers to Ferrellgas, Inc.;
- "Ferrell Companies" refers to Ferrell Companies, Inc., the sole shareholder of our general partner;
- "unitholders" refers to holders of common units of Ferrellgas Partners;
- "customers" refers to customers other than our wholesale customers or our other bulk propane distributors or marketers;
- "retail sales" refers to Propane and other gas liquid sales: Retail — Sales to End Users or the volume of propane sold primarily to our residential, industrial/commercial and agricultural customers;
- "wholesale sales" refers to Propane and other gas liquid sales: Wholesale — Sales to Resellers or the volume of propane sold primarily to our portable tank exchange customers and bulk propane sold to wholesale customers;
- "other gas sales" refers to Propane and other gas liquid sales: Other Gas Sales or the volume of bulk propane sold to other third party propane distributors or marketers and refined fuel volumes sold;
- "propane sales volume" refers to the volume of propane sold to our retail sales and wholesale sales customers; and

· “Notes” refers to the notes of the condensed consolidated financial statements of Ferrellgas Partners or the operating partnership, as applicable.

Ferrellgas Partners is a holding entity that conducts no operations and has two direct subsidiaries, Ferrellgas Partners Finance Corp. and the operating partnership. Ferrellgas Partners’ only significant assets are its approximate 99% limited partnership interest in the operating partnership and its 100% equity interest in Ferrellgas Partners Finance Corp. The common units of Ferrellgas Partners are listed on the New York Stock Exchange and our activities are primarily conducted through the operating





partnership.

The operating partnership was formed on April 22, 1994, and accounts for substantially all of our consolidated assets, sales and operating earnings, except for interest expense related to the senior notes co-issued by Ferrellgas Partners and Ferrellgas Partners Finance Corp.

Our general partner performs all management functions for us and our subsidiaries and holds a 1% general partner interest in Ferrellgas Partners and an approximate 1% general partner interest in the operating partnership. The parent company of our general partner, Ferrell Companies, beneficially owns approximately 29% of our outstanding common units. Ferrell Companies is owned 100% by an employee stock ownership trust.

We file annual, quarterly, and other reports and information with the SEC. You may read and download our SEC filings over the Internet from several commercial document retrieval services as well as at the SEC’s website at www.sec.gov. You may also read and copy our SEC filings at the SEC’s Public Reference Room located at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information concerning the Public Reference Room and any applicable copy charges. Because our common units are traded on the New York Stock Exchange, under the ticker symbol of “FGP,” we also provide our SEC filings and particular other information to the New York Stock Exchange. You may obtain copies of these filings and such other information at the offices of the New York Stock Exchange located at 11 Wall Street, New York, New York 10005. In addition, our SEC filings are available on our website at www.ferrellgas.com at no cost as soon as reasonably practicable after our electronic filing or furnishing thereof with the SEC. Please note that any Internet addresses provided in this Quarterly Report on Form 10-Q are for informational purposes only and are not intended to be hyperlinks. Accordingly, no information found and/or provided at such Internet addresses is intended or deemed to be incorporated by reference herein.

The following is a discussion of our historical financial condition and results of operations and should be read in conjunction with our historical condensed consolidated financial statements and accompanying Notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

The discussions set forth in the “Results of Operations” and “Liquidity and Capital Resources” sections generally refer to Ferrellgas Partners and its consolidated subsidiaries. However, in these discussions there exist two material differences between Ferrellgas Partners and the operating partnership. Those material differences are:

· because Ferrellgas Partners has outstanding $34.1 million in aggregate principal amount of 8.75% senior notes due fiscal 2012 and $280.0 million in aggregate principal amount of 8.625% senior notes due fiscal 2020, the two partnerships incur different amounts of interest expense on their outstanding indebtedness; see the statements of earnings in their respective condensed consolidated financial statements and Note E — Debt in the respective notes to their condensed consolidated financial statements; and

· Ferrellgas Partners issued common units during both fiscal 2009 and fiscal 2010.

**Overview**

We are a leading distributor of propane and related equipment and supplies to customers primarily in the United States and conduct our business as a single reportable operating segment. We believe that we are the second largest retail marketer of propane in the United States, and the largest national provider of propane by portable tank exchange, as measured by our propane sales volumes in fiscal 2009.

We serve approximately one million residential, industrial/commercial, portable tank exchange, agricultural, wholesale and other customers in all 50 states, the District of Columbia and Puerto Rico. Our operations primarily include the distribution and sale of propane and related equipment and supplies with concentrations in the Midwest, Southeast, Southwest and Northwest regions of the United States. Our





propane distribution business consists principally of transporting propane purchased from third parties to propane distribution locations and then to tanks on customers’ premises or to portable propane tanks delivered to nationwide and local retailers. Our portable tank exchange operations, nationally branded under the name Blue Rhino, are conducted through a network of independent and partnership-owned distribution outlets. Our market areas for our residential and agricultural customers are generally rural, but also include urban areas for industrial applications. Our market area for our industrial/commercial and portable tank exchange customers is generally urban.

In the residential and industrial/commercial markets, propane is primarily used for space heating, water heating, cooking and other propane fueled appliances. In the portable tank exchange market, propane is used primarily for outdoor cooking using gas grills. In the agricultural market, propane is primarily used for crop drying, space heating, irrigation and weed control. In addition, propane is used for a variety of industrial applications, including as an engine fuel which is burned in internal combustion engines that power vehicles and forklifts, and as a heating or energy source in manufacturing and drying processes.

The market for propane is seasonal because of increased demand during the months of November through March (the “winter heating season”) primarily for the purpose of providing heating in residential and commercial buildings. Consequently, sales and operating profits are concentrated in our second and third fiscal quarters, which are during the winter heating season. However, our propane by portable tank exchanges sales volume provides us increased operating profits during our first and fourth fiscal quarters due to its counter-seasonal business activities. These sales also provide us the ability to better utilize our seasonal resources at our propane distribution locations. Other factors affecting our results of operations include competitive conditions, volatility in energy commodity prices, demand for propane, timing of acquisitions and general economic conditions in the United States.

We use information on temperatures to understand how our results of operations are affected by temperatures that are warmer or colder than normal. We use the definition of "normal" temperatures based on information published by the National Oceanic and Atmospheric Administration ("NOAA"). Based on this information we calculate a ratio of actual heating degree days to normal heating degree days. Heating degree days are a general indicator of weather impacting propane usage.

Weather conditions have a significant impact on demand for propane for heating purposes during the winter heating season. Accordingly, the volume of propane used by our customers for this purpose is directly affected by the severity of the winter weather in the regions we serve and can vary substantially from year to year. In any given region, sustained warmer-than-normal temperatures will tend to result in reduced propane usage, while sustained colder-than-normal temperatures will tend to result in greater usage. Although there is a direct correlation between weather and customer usage, there is a natural time lag between the onset of cold weather and increased sales to customers. Although nationwide temperatures during the nine months ended April 30, 2010 are slightly warmer as compared to the prior year and normal, we have experienced an overall cooling trend over the past three years. If this cooling trend were to continue toward normal or become cooler than normal, we could expect nationwide demand for propane to increase which could lead to greater sales, income and liquidity availability. Conversely, if this trend were to reverse toward warmer than normal temperatures we could expect nationwide demand for propane to decrease which could lead to a reduction in our sales, income and liquidity availability.



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Our gross margin from the retail distribution of propane is primarily based on the cents-per-gallon difference between the sale price we charge our customers and our costs to purchase and deliver propane to our propane distribution locations. Our residential customers and portable tank exchange customers typically provide us a greater cents-per-gallon margin than our industrial/commercial, agricultural, wholesale and other customers. We track "Propane sales volumes," "Revenues — Propane and other gas liquids sales" and "Gross margin — Propane and other gas liquids sales" by customer; however, we are not able to specifically allocate operating and other costs in a manner that would determine their specific profitability with a high degree of accuracy. The wholesale propane price per gallon is subject to various market conditions and may fluctuate based on changes in demand, supply and other energy commodity prices, primarily crude oil and natural gas, as propane prices tend to correlate with the fluctuations of these underlying commodities.

We employ risk management activities that attempt to mitigate price risks related to the purchase, storage, transport and sale of propane. We enter into propane sales commitments with a portion of our customers that provide for a contracted price agreement for a specified period of time. These commitments can expose us to product price risk if not immediately hedged with an offsetting propane purchase commitment.

Our open financial derivative purchase commitments are designated as hedges primarily for fiscal 2010 sales commitments and, as of April 30, 2010, have experienced a net mark to market gain of approximately $4.5 million. Because these financial derivative purchase commitments qualify for hedge accounting treatment, the resulting asset, liability and related net mark to market gains are recorded on the balance sheet as "prepaid expenses and other current assets," "other current liabilities" and "accumulated other comprehensive income (loss)," respectively, until settled. Upon settlement, realized gains or losses on these contracts will be reclassified to "Cost of product sold-propane and other gas liquid sales" in the condensed consolidated statements of earnings. These financial derivative purchase commitment net gains are expected to be offset by reduced margins on propane sales commitments that qualify for the normal purchase normal sale exception. At April 30, 2010 we estimate 77% of currently open financial derivative purchase commitments, the related propane sales commitments, and the resulting gross margin will be realized into earnings during the remainder of fiscal 2010.

Our business strategy is to:

- expand our operations through disciplined acquisitions and internal growth;
- capitalize on our national presence and economies of scale;
- maximize operating efficiencies through utilization of our technology platform; and
- align employee interests with our investors through significant employee ownership.

**Forward-looking Statements**

Statements included in this report include forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. These statements often use words such as "anticipate," "believe," "intend," "plan," "projection," "forecast," "strategy," "position," "continue," "estimate," "expect," "may," "will," or the negative of those terms or other variations of them or comparable terminology. These statements often discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future and are based upon the beliefs and assumptions of our management and on the information currently available to them. In particular, statements, express or implied, concerning our future operating results or our ability to generate sales, income or cash flow are forward-looking statements.

Forward-looking statements are not guarantees of performance. You should not put undue reliance on any forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions that could cause our actual results to differ materially from those expressed in or implied by these forward-looking statements. Many of the factors that will affect our future results are beyond our ability to control or predict.



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Some of our forward-looking statements include the following:

- whether the operating partnership will have sufficient funds to meet its obligations, including its obligations under its debt securities, and to enable it to distribute to Ferrellgas Partners sufficient funds to permit Ferrellgas Partners to meet its obligations with respect to its existing debt and equity securities;

- whether Ferrellgas Partners and the operating partnership will continue to meet all of the quarterly financial tests required by the agreements governing their indebtedness; and

· our expectation that higher propane prices will continue causing "Revenues — propane and other gas liquids sales" and "Cost of product sold — propane and other gas liquids sales" to increase during the remainder of fiscal 2010 compared to our prior fiscal year.

When considering any forward-looking statement, you should also keep in mind the risk factors set forth in both the section in our Annual Report on Form 10-K for our fiscal 2009 entitled, "Item 1A. Risk Factors" and "Item 1A. Risk Factors" within this Quarterly Report on Form 10-Q. Any of these risks could impair our business, financial condition or results of operations. Any such impairment may affect our ability to make distributions to our unitholders or pay interest on the principal of any of our debt securities. In addition, the trading price, if any, of our securities could decline as a result of any such impairment.

Except for our ongoing obligations to disclose material information as required by federal securities laws, we undertake no obligation to update any forward-looking statements or risk factors after the date of this Quarterly Report on Form 10-Q.

In addition, the classification of Ferrellgas Partners and the operating partnership as partnerships for federal income tax purposes means that we do not generally pay federal income taxes. We do, however, pay taxes on the income of our subsidiaries that are corporations. We rely on a legal opinion from our counsel, and not a ruling from the Internal Revenue Service, as to our proper classification for federal income tax purposes. See the section in our Annual Report on Form 10-K for our fiscal 2009 entitled "Item 1A. Risk Factors — Tax Risks." The IRS could treat us as a corporation for tax purposes or changes in federal or state laws could subject us to entity-level taxation, which would substantially reduce the cash available for distribution to our unitholders.



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**Results of Operations**

**Three months ended April 30, 2010 compared to April 30, 2009**

*(amounts in thousands)*

| Three months ended April 30, | 2010 | 2009 | Favorable (Unfavorable) Variance | |
|---|---|---|---|---|
| Propane sales volumes (gallons): | | | | |
| Retail — Sales to End Users | 188,630 | 183,683 | 4,947 | 3% |
| Wholesale — Sales to Resellers | 58,916 | 55,523 | 3,393 | 6% |
| | 247,546 | 239,206 | 8,340 | 3% |
| Revenues - Propane and other gas liquids sales: | | | | |
| Retail — Sales to End Users | $ 376,628 | $ 343,712 | $ 32,916 | 10% |
| Wholesale — Sales to Resellers | 124,522 | 110,590 | 13,932 | 13% |
| Other Gas Sales | 34,874 | 7,548 | 27,326 | 362% |
| | $ 536,024 | $ 461,850 | $ 74,174 | 16% |
| Gross margin — Propane and other gas liquids sales: (a) | | | | |
| Retail — Sales to End Users | $ 137,476 | $ 124,708 | $ 12,768 | 10% |
| Wholesale — Sales to Resellers | 43,390 | 40,979 | 2,411 | 6% |
| Other Gas Sales | (158) | 282 | (440) | (156)% |
| | $ 180,708 | $ 165,969 | $ 14,739 | 9% |
| Gross margin - Other | $ 28,134 | $ 23,569 | $ 4,565 | 19% |
| Adjusted EBITDA (b) | 88,154 | 82,195 | 5,959 | 7% |
| Operating income | 60,888 | 57,325 | 3,563 | 6% |
| Interest expense | 25,933 | 22,027 | (3,906) | (18)% |
| Interest expense - operating partnership | 19,875 | 16,100 | (3,775) | (23)% |

(a) Gross margin from propane and other gas liquids sales represents "Propane and other gas liquids sales" less "Cost of product sold — propane and other gas liquids sales."

(b) Management considers Adjusted EBITDA to be a chief measurement of the partnership's overall economic performance and return on invested capital. Adjusted EBITDA is calculated as earnings before interest expense, income tax expense, depreciation and amortization expense, employee stock ownership plan compensation charge, unit and stock-based compensation charge, loss on disposal of assets and other, net earnings attributable to noncontrolling interest, and other income (expense), net. Management believes the presentation of this measure is relevant and useful because it allows investors to view the partnership's performance in a manner similar to the method management uses, adjusted for items management believes makes it easier to compare its results with other companies that have different financing and capital structures. In addition, management believes this measure is consistent with the manner in which the partnership's lenders and investors measure its overall performance, including its ability to pay quarterly equity distributions, service its long-term debt and other fixed obligations and fund its capital expenditures and working capital requirements. This method of calculating Adjusted EBITDA may not be consistent with that of other companies and should be viewed in conjunction with measurements that are computed in accordance with GAAP.



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The following table summarizes EBITDA and Adjusted EBITDA for the three months ended April 30, 2010 and 2009, respectively:

*(amounts in thousands)*

| | For the three months ended April 30, | |
|---|---|---|
| | 2010 | 2009 |
| Net earnings attributable to Ferrellgas Partners, L.P. | $ 28,863 | $ 32,864 |
| Income tax expense | 1,754 | 1,847 |
| Interest expense | 25,933 | 22,027 |
| Debt prepayment premiums | 3,408 | — |
| Depreciation and amortization expense | 20,848 | 20,635 |
| Other income (expense), net | 529 | 190 |
| EBITDA | $ 81,335 | $ 77,563 |
| Employee stock ownership plan compensation charge | 2,698 | 1,460 |
| Unit and stock-based compensation charge | 1,024 | 452 |
| Loss on disposal of assets and other | 2,696 | 2,323 |
| Net earnings attributable to noncontrolling interest | 401 | 397 |
| Adjusted EBITDA | $ 88,154 | $ 82,195 |

Propane sales volumes during the three months ended April 30, 2010 increased 8.3 million gallons from that of the prior year period due to 4.9 million of increased gallon sales to our retail customers and 3.4 million increased gallon sales to our wholesale customers.

Retail sales volumes increased 5.9 million gallons through acquisitions completed during the last twelve months. These gallon gains were somewhat offset by the impact of weather in the more highly concentrated geographic areas we serve that was 3% warmer than that of the prior year period.

We believe wholesale sales volumes increased due to our emphasis on expanding this portion of our business.

The wholesale market price at one of the major supply points, Mt. Belvieu, Texas, during the three months ended April 30, 2010, averaged 82% higher than the prior year period. The wholesale market price averaged $1.18 and $0.65 per gallon during the three months ended April 30, 2010 and 2009, respectively.

*Revenues - Propane and other gas liquids sales*

Retail sales increased $32.9 million compared to the prior year period. This increase resulted primarily from a $23.0 million increase in sales price per gallon primarily due to the increased wholesale market pricing environment and $10.7 million from gallons gained through acquisitions completed during the last twelve months, both as discussed above.

Wholesale sales increased $13.9 million compared to the prior year period. This increase resulted primarily from a $7.2 million increase due to greater propane sales volumes and a $6.8 million increase in sales price per gallon, both as discussed above.

Other gas sales increased $27.3 million compared to the prior year period. This increase resulted primarily from a $14.7 million increase due to greater propane sales volumes and a $12.1 million increase in sales price per gallon.

*Gross margin - Propane and other gas liquids sales*

Retail sales gross margin increased $12.8 million compared to the prior year period. This increase resulted primarily from a $9.2 million increase in gross margin per gallon primarily due to our ability to expand margins despite the increased wholesale market pricing environment and $3.5 million from gallons gained through acquisitions as discussed above.



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Wholesale sales gross margin increased $2.4 million compared to the prior year period. This increase resulted primarily from a $2.5 million increase due to greater propane sales volumes as discussed above.

*Gross margin - Other*

Gross margin — Other increased $4.6 million compared to the prior year period. This increase resulted primarily due to a $6.6 million increase in miscellaneous fees, somewhat offset by a $2.2 million decrease in propane appliance sales.

*Adjusted EBITDA*

Adjusted EBITDA increased $6.0 million compared to the prior year period primarily due to a $14.7 million increase in gross margin from “Gross margin: Propane and other gas liquids sales” and a $4.6 million increase in gross margin from “Gross margin: Other” both as discussed above, which were somewhat offset by a $11.5 million increase in “Operating expense” and a $2.9 million increase in “General and administrative expense”. Operating expense increased primarily due to $4.9 million of performance based incentive expense, $2.6 million of increased fuel costs, $2.0 million of operating costs associated with acquisitions and $1.7 million of increased bad debt expense. General and administrative expense increased primarily due to $2.5 million of performance based incentive expense.

*Operating income*

Operating income increased $3.6 million compared to the prior year period primarily due to the $6.0 million increase in adjusted EBITDA as discussed above, which was somewhat offset by a $1.2 million increase in “Employee stock ownership plan compensation charge” due to the effect of higher Ferrellgas common unit prices during the current year period.

*Interest expense - consolidated*

Interest expense increased $3.9 million primarily due to a $2.7 million increase due to the issuance of new senior debt at higher interest rates than the debt retired and higher interest rates on borrowings on our secured credit facility and $0.7 million increase due to the amortization of capitalized debt costs.

*Interest expense - operating partnership*

Interest expense increased $3.8 million primarily due to a $2.5 million increase due to the issuance of new senior debt at higher interest rates than the debt retired and higher interest rates on borrowings on our secured credit facility and $0.8 million increase due to the amortization of capitalized debt costs.





**Nine months ended April 30, 2010 compared to April 30, 2009**

*(amounts in thousands)*

| Nine months ended April 30, | 2010 | 2009 | Favorable (Unfavorable) Variance | |
|---|---|---|---|---|
| Propane sales volumes (gallons): | | | | |
| Retail — Sales to End Users | 590,905 | 556,078 | 34,827 | 6% |
| Wholesale — Sales to Resellers | 189,872 | 169,293 | 20,579 | 12% |
| | 780,777 | 725,371 | 55,406 | 8% |
| | | | | |
| Revenues - Propane and other gas liquids sales: | | | | |
| Retail — Sales to End Users | $ 1,084,290 | $ 1,149,969 | $ (65,679) | (6)% |
| Wholesale — Sales to Resellers | 363,250 | 353,098 | 10,152 | 3% |
| Other Gas Sales | 140,498 | 43,207 | 97,291 | 225% |
| | $ 1,588,038 | $ 1,546,274 | $ 41,764 | 3% |
| | | | | |
| Gross margin — Propane and other gas liquids sales: (a) | | | | |
| Retail — Sales to End Users | $ 392,722 | $ 403,513 | $ (10,791) | (3)% |
| Wholesale — Sales to Resellers | 125,091 | 100,320 | 24,771 | 25% |
| Other Gas Sales | 10,009 | 288 | 9,721 | NM |
| | $ 527,822 | $ 504,121 | $ 23,701 | 5% |
| | | | | |
| Gross margin - Other | $ 74,654 | $ 74,405 | $ 249 | — |
| Adjusted EBITDA (b) | 251,487 | 238,930 | 12,557 | 5% |
| Operating income | 172,836 | 161,862 | 10,974 | 7% |
| Interest expense | 74,844 | 69,090 | (5,754) | (8)% |
| Interest expense - operating partnership | 56,934 | 51,311 | (5,623) | (11)% |
| Debt prepayment premiums | 20,716 | — | (20,716) | NM |

NM — Not meaningful

(a) Gross margin from propane and other gas liquids sales represents "Propane and other gas liquids sales" less "Cost of product sold — propane and other gas liquids sales."

(b) Management considers Adjusted EBITDA to be a chief measurement of the partnership's overall economic performance and return on invested capital. Adjusted EBITDA is calculated as earnings before interest expense, income tax expense, depreciation and amortization expense, employee stock ownership plan compensation charge, unit and stock-based compensation charge, loss on disposal of assets and other, net earnings attributable to noncontrolling interest, and other income (expense), net. Management believes the presentation of this measure is relevant and useful because it allows investors to view the partnership's performance in a manner similar to the method management uses, adjusted for items management believes makes it easier to compare its results with other companies that have different financing and capital structures. In addition, management believes this measure is consistent with the manner in which the partnership's lenders and investors measure its overall performance, including its ability to pay quarterly equity distributions, service its long-term debt and other fixed obligations and fund its capital expenditures and working capital requirements. This method of calculating Adjusted EBITDA may not be consistent with that of other companies and should be viewed in conjunction with measurements that are computed in accordance with GAAP.





The following table summarizes EBITDA and Adjusted EBITDA for the nine months ended April 30, 2010 and 2009, respectively:

*(amounts in thousands)*

| | For the nine months ended April 30, 2010 | 2009 |
|---|---|---|
| Net earnings attributable to Ferrellgas Partners, L.P. | $ 73,209 | $ 87,629 |

| | | |
|---|---|---|
| Income tax expense | 2,006 | 2,713 |
| Interest expense | 74,844 | 69,090 |
| Debt prepayment premiums | 20,716 | — |
| Depreciation and amortization expense | 62,022 | 62,170 |
| Other income (expense), net | 1,085 | 1,351 |
| EBITDA | $ 233,882 | $ 222,953 |
| Employee stock ownership plan compensation charge | 6,961 | 4,865 |
| Unit and stock-based compensation charge | 4,188 | 1,109 |
| Loss on disposal of assets and other | 5,480 | 8,924 |
| Net earnings attributable to noncontrolling interest | 976 | 1,079 |
| Adjusted EBITDA | $ 251,487 | $ 238,930 |

Propane sales volumes during the nine months ended April 30, 2010 increased 55.4 million gallons from that of the prior year period due to 34.8 million of increased gallon sales to our retail customers and 20.6 million of increased gallon sales to our wholesale customers.

Retail sales volumes increased 21.4 million gallons through acquisitions completed during the last twelve months and due to gallons gained from our focus on expanding our operations through an internal growth strategy. These gallon gains were somewhat offset by the impact of weather in the more highly concentrated geographic areas we serve that was 2% warmer than that of the prior year period.

We believe wholesale sales volumes increased due to our emphasis on expanding this portion of our business.

The wholesale market price at one of the major supply points, Mt. Belvieu, Texas, during the nine months ended April 30, 2010 averaged 21% more than the prior year period. The wholesale market price averaged $1.11 and $0.92 per gallon during the nine months ended April 30, 2010 and 2009, respectively. Although the average wholesale market price increased significantly between the two periods, a competitive pricing environment did not allow us to increase our sales price as the wholesale market price increased. Additionally, volatility in the wholesale market price of propane during the first six months of fiscal 2010 and 2009 caused the movement in prices within those periods to be different. The wholesale market price at Mt. Belvieu averaged $1.40 during the three months ended October 31, 2008 and $0.69 during the three months ended January 31, 2009. During that six month period, we decreased our sales price at a slower rate than the wholesale market price. Conversely, the wholesale market price at Mt. Belvieu averaged $0.95 during the three months ended October 31, 2009 and $1.20 during the three months ended January 31, 2010. During this six month period the competitive pricing environment discussed above did not allow us to increase our sales price at a similar rate as the wholesale market price increased.

*Revenues - Propane and other gas liquids sales*

Retail sales decreased $65.7 million compared to the prior year period. This decrease resulted primarily from a $129.6 million decrease in sales price per gallon primarily due to a competitive pricing environment and volatility experienced in the wholesale market price of propane as well as decreased volumes due to warmer weather, each as discussed above. These decreases were partially offset by a $33.9 million increase from gallons gained through acquisitions and a $30.0 million increase from greater propane sales volumes due to the internal growth strategy.





Wholesale sales increased $10.2 million compared to the prior year period. This increase resulted from a $39.4 million increase due to greater propane sales volumes, offset by a $29.2 million decrease in sales price per gallon.

Other gas sales increased $97.3 million compared to the prior year period primarily due to an $87.6 million increase in propane sales volumes and a $10.5 million increase in sales price per gallon.

*Gross margin - Propane and other gas liquids sales*

Retail sales gross margin decreased $10.8 million compared to the prior year period. This decrease resulted primarily from a $33.9 million decrease in gross margin per gallon primarily due to a competitive pricing environment and volatility experienced in the wholesale market price of propane, as well as decreased volumes due to warmer weather, each as discussed above. These decreases were partially offset by a $12.7 million increase in propane sales volumes due to the internal growth strategy and $10.5 million from gallons gained through acquisitions, each as discussed above.

Wholesale sales gross margin increased $24.8 million compared to the prior year period. This increase resulted from both a $13.6 million increase due to greater propane sales volumes and an $11.2 million increase in gross margin per gallon as discussed above.

Other gas sales gross margin increased $9.7 million compared to the prior year period due to sales of excess inventory to other third-party customers.

*Adjusted EBITDA*

Adjusted EBITDA increased $12.6 million compared to the prior year period primarily due to a $23.7 million increase in gross margin from “Gross margin : Propane and other gas liquids sales” as discussed above and a $4.3 million decrease in “Equipment lease expense” which were somewhat offset by a $10.3 million increase in “Operating expense” and a $5.4 million increase in “General and administrative expense”. Equipment lease expense decreased primarily due to a $3.0 million decrease in computer related lease expense. Operating expense increased primarily due to $5.4 million of personnel related costs and $5.3 million of operating costs associated with acquisitions. General and administrative expense increased primarily due to $4.6 million from the timing of performance based incentive expense.

*Operating income*

Operating income increased $11.0 million compared to the prior year period primarily due to the $12.6 million increase in adjusted EBITDA as discussed above and a 3.4 million decrease in “Loss on disposal of assets and other”, which was somewhat offset by a $3.1 million increase in “Unit and stock based compensation charge” and a $2.1 million increase “Employee stock ownership plan compensation charge. Loss on disposal of assets and other decreased primarily due to a $2.4 million decrease in “Loss on transfer of accounts receivable related to the accounts receivable securitization facility” primarily due to a one time loss on the sale of certain receivables to the facility during the prior year period that was not repeated during the current year period. The $3.1 million increase in "unit and stock based compensation charge" is due to an increase in non-cash stock option issuance expense allocated from Ferrell Companies. The $2.1 million increase in "Employee stock ownership plan compensation charge" is due to the effect of higher Ferrellgas common unit prices during the current year period.

*Interest expense - consolidated*

Interest expense increased $5.8 million primarily due to a $5.8 million increase due to the issuance of new senior debt at higher interest rates than the debt retired and higher interest rates on borrowings on our secured credit facility and a $1.6 million increase due to the amortization of capitalized debt costs. These increases were partially offset by $0.9 million decrease in letter of credit fees and a $0.8 million reduction in expense due to decreased borrowings on our secured credit facility.



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*Interest expense - operating partnership*

Interest expense increased $5.6 million primarily due to a $5.6 million increase due to the issuance of new senior debt at higher interest rates than the debt retired and higher interest rates on borrowings on our secured credit facility and a $1.7 million increase due to the amortization of capitalized debt costs. These increases were partially offset by a $0.9 million decrease in letter of credit fees and $0.8 million reduction in expense due to decreased borrowings on our secured credit facility.

*Debt prepayment premiums*

During October 2009, we prepaid the outstanding principal amount on our $82.0 million 7.24% series D notes due August 1, 2010 and our $70.0 million 7.42% series E notes due August 1, 2013, and the related prepayment premiums of $17.3 million.

During April 2010, we prepaid $233.9 million of our $268.0 million 8.75% senior notes due 2012 and the related prepayment premium of $3.4 million.

*Forward looking statements*

We expect that higher propane prices will continue causing "Revenues — propane and other gas liquids sales" and "Cost of product sold — propane and other gas liquids sales" to increase during the remainder of fiscal 2010 compared to our prior fiscal year.

**Liquidity and Capital Resources**

**General**

Our liquidity and capital resources enable us to fund our working capital requirements, letter of credit requirements, debt service payments, acquisition and capital expenditures and distributions to our unitholders. Our liquidity may be affected by an inability to access the capital markets or by unforeseen demands on cash, or other events beyond our control, such as the general market disruption experienced during fiscal 2009. We believe a return of the general market disruption discussed above could limit our future access to capital markets or to access those markets at rates acceptable to us. Conversely, if general market conditions continue to improve, we would expect our access to capital markets and rates associated with those markets to return to normal as well.

During fiscal 2010, we completed $580.0 million in debt offerings, made scheduled principal payments of $73.0 million on senior notes, prepaid $385.9 million of senior notes and plan to redeem $34.1 million of senior notes at par in the fourth quarter of fiscal 2010. We also entered into a new accounts receivable securitization facility with capacity of up to $145.0 million that replaced our previous securitization facility and entered into a new secured credit facility that replaced our unsecured credit facility and provides for a $400.0 million revolving credit capacity with the entire amount available for loans and with a sublimit of $200.0 million for letters of credit. Additionally, we issued $20.0 million of common units for which the proceeds were used to reduce borrowings on our credit facility. With these financings and the application of the proceeds, we will have addressed all of our significant outstanding debt maturities through 2014 and increased our liquidity to finance ongoing business strategies. Furthermore, our only interest rate sensitive financing will be borrowings on our $400.0 million revolving credit facility and our accounts receivable securitization facility scheduled to expire in 2012 and 2013, respectively.

In June 2009, the Financial Accounting Standards Board issued guidance that amends the previous derecognition guidance to improve the accounting for transfers of financial assets. This guidance is effective for financial asset transfers that occur in annual reporting periods beginning after November 15, 2009. The adoption of this guidance on August 1, 2010, will require Ferrellgas to consolidate Ferrellgas Receivables, a wholly-owned unconsolidated special purpose entity. As a result of the derecognition guidance amendments, beginning August 1, 2010, trade receivables owned by Ferrellgas Receivables will be recorded with a corresponding short-term liability on our condensed consolidated balance sheets. We



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do not expect the consolidation of Ferrellgas Receivables to have a significant impact on our financial position, results of operations, cash flows, liquidity or debt compliance ratios.

Currently, we believe we will continue to have sufficient access to capital markets at yields acceptable to us to support our expected growth expenditures and refinancing of debt maturities. Our disciplined approach to fund necessary capital spending and other partnership needs, combined with sufficient trade credit to operate our business efficiently and available credit under our secured credit facility and our accounts receivable securitization facility should provide us the means to meet our anticipated liquidity and capital resource requirements.

During periods of high volatility our risk management activities expose us to the risk of counterparty margin calls in amounts greater than we have the capacity to fund. Likewise our counterparties may not be able to fulfill their margin calls to us or may default on the settlement of positions with us.

Our working capital requirements are subject to, among other things, the price of propane, delays in the collection of receivables, volatility in energy commodity prices, liquidity imposed by insurance providers, downgrades in our credit ratings, decreased trade credit, significant acquisitions, the weather and other changes in the demand for propane. Relatively colder weather or higher propane prices during the winter heating season are factors that could significantly increase our working capital requirements.

Our ability to satisfy our obligations is dependent upon our future performance, which will be subject to prevailing economic, financial, business and weather conditions and other factors, many of which are beyond our control. Due to the seasonality of the retail propane distribution business, a significant portion of our cash flow from operations is generated during the winter heating season. Our net cash provided by operating activities primarily reflects earnings from our business activities adjusted for depreciation and amortization and changes in our working capital accounts. Historically, we generate significantly lower net cash from operating activities in our first and fourth fiscal quarters as compared to the second and third fiscal quarters due to the seasonality of our business. Subject to meeting the financial tests discussed below, our general partner believes that the operating partnership will have sufficient funds available to meet its obligations, and to distribute to Ferrellgas Partners sufficient funds to permit Ferrellgas Partners to meet its obligations in the remainder of fiscal 2010 and in fiscal 2011.

Subject to the risk factors identified in both the section in our Annual Report on Form 10-K for our fiscal 2009 entitled, “Item 1A. Risk Factors” and “Item 1A. Risk Factors” within this Quarterly Report on Form 10-Q, our general partner believes the operating partnership will have sufficient funds available to distribute to Ferrellgas Partners sufficient cash to pay the minimum quarterly distribution on all of its common units in the remainder of fiscal 2010 and in fiscal 2011. A quarterly distribution of $0.50 is expected to be paid on June 14, 2010, to all common units that were outstanding on June 7, 2010. This represents the sixty-third consecutive minimum quarterly distribution paid to our common unitholders dating back to October 1994. Prior to April 30, 2010, the publicly-held common units had certain distribution preference rights over the common units held by Ferrell Companies. Ferrell Companies had granted Ferrellgas Partners the ability to defer future distributions on the common units held by it up to an aggregate outstanding amount of $36.0 million. This distribution deferral agreement, which had not been utilized, expired April 30, 2010. See discussion of related risk factor in “Item 1A. Risk Factors.”

Our secured credit facility, public debt, private debt and accounts receivable securitization facility contain several financial tests and covenants restricting our ability to pay distributions, incur debt and engage in certain other business transactions. In general, these tests are based on our debt-to-cash flow ratio and cash flow-to-interest expense ratio. Our general partner currently believes that the most restrictive of these tests are debt incurrence limitations under the terms of our credit and accounts receivable securitization facilities and limitations on the payment of distributions within our 8.625% senior notes due 2020. The credit and accounts receivable securitization facilities generally limit the operating partnership’s ability to incur debt if it exceeds prescribed ratios of either debt to cash flow or cash flow to interest expense. Our 8.625% senior notes restrict payments if a minimum ratio of cash flow to interest expense is not met, assuming certain exceptions to this ratio limit have previously been exhausted. This restriction places limitations on our ability to make restricted payments such as the payment of cash





distributions to our unitholders. The cash flow used to determine these financial tests generally is based upon our most recent cash flow performance giving pro forma effect for acquisitions and divestitures made during the test period. Our secured credit facility, public debt, private debt and accounts receivable securitization facility do not contain early repayment provisions related to a potential decline in our credit rating.

As of April 30, 2010, we met all the required quarterly financial tests and covenants. Based upon current estimates of our cash flow, our general partner believes that we will be able to continue to meet all of the required quarterly financial tests and covenants during the remainder of fiscal 2010 and in fiscal 2011. However, we may not meet the applicable financial tests in future quarters if we were to experience:

- significantly warmer than normal winter temperatures;
- a continued volatile energy commodity cost environment;
- an unexpected downturn in business operations;
- a change in customer purchasing patterns due to economic factors in the United States; or
- a material downturn in the credit and/or equity markets.

Failure to meet applicable financial tests could have a materially adverse effect on our operating capacity and cash flows and could restrict our ability to incur debt or to make cash distributions to our unitholders, even if sufficient funds were available. Depending on the circumstances, we may consider alternatives to permit the incurrence of debt or the continued payment of the quarterly cash distribution to our unitholders. No assurances can be given, however, that such alternatives can or will be implemented with respect to any given quarter.

We expect our future capital expenditures and working capital needs to be provided by a combination of cash generated from future operations, existing cash balances, the secured credit facility or the accounts receivable securitization facility. See additional information about the accounts receivable securitization facility in “Operating Activities — Accounts receivable securitization.” In order to reduce existing indebtedness, fund future acquisitions and expansive capital projects, we may obtain funds from our facilities, we may issue additional debt to the extent permitted under existing financing arrangements or we may issue additional equity securities, including, among others, common units.

Toward this purpose, the following registration statements were effective upon filing or declared effective by the SEC:

- a shelf registration statement for the periodic sale of up to $750.0 million in common units, debt securities and/or other securities; Ferrellgas Partners Finance Corp. may, at our election, be the co-issuer and co-obligor on any debt securities issued by Ferrellgas Partners under this shelf registration statement; as of April 30, 2010, we had $450.0 million available under this shelf registration statement; and

- an “acquisition” shelf registration statement for the periodic sale of up to $250.0 million in common units to fund acquisitions; as of April 30, 2010 we had $231.5 million available under this shelf agreement.

During December 2009, a shelf registration statement with availability of $200.0 million in common units in connection with Ferrellgas Partners direct purchase and distribution reinvestment plan expired and was not renewed. We believe the availability remaining under our other shelf registration statements will provide us with adequate access to liquidity and capital resources.

**Operating Activities**

Net cash provided by operating activities was $129.3 million for the nine months ended April 30, 2010, compared to net cash provided by operating activities of $193.7 million for the prior year period. This decrease in cash provided by operating activities was primarily due to a $114.7 million increase in working capital requirements and a $9.3 million decrease in cash flow from operations which were partially offset





by a $57.0 million increase in net funding from our accounts receivable securitization facility. The increase in working capital requirements was primarily due to $59.9 million from the impact of increased sales volumes as well as the timing of billings and collections on accounts receivable, $52.0 million from the timing of inventory purchases and $8.5 million from the timing of interest payments. These increases in working capital requirements were somewhat offset by $10.1 million due to the timing of accounts payable disbursements. The decrease in cash flow from operations is primarily due to a decrease in net earnings resulting from the debt prepayment premiums of $20.7 million on the early redemption of our series D and E senior notes and our early redemption of $233.9 million of our 8.75% senior notes, which was somewhat offset by an $11.0 million increase in operating income. The $57.0 million increase in net funding from our accounts receivable securitization facility is primarily due to an increase in accounts receivable sales to the facility to fund the working capital requirements discussed above.

*Accounts receivable securitization*

Cash flows from our accounts receivable securitization facility increased $57.0 million. We received net funding of $49.0 million from this facility during the nine months ended April 30, 2010 as compared to remitting net funding of $8.0 million to this facility in the prior year period.

Our strategy is to maximize liquidity by utilizing the accounts receivable securitization facility along with borrowings under the operating partnership's secured credit facility. See additional discussion about the operating partnership's secured credit facility in "Financing Activities — Secured credit facility." Our utilization of the accounts receivable securitization facility is limited by the amount of accounts receivable that we are permitted to transfer according to the facility agreement. During April 2010 the operating partnership executed a new accounts receivable securitization facility with Wells Fargo Bank, N.A., Fifth Third Bank and BNP Paribas that allows for the proceeds of up to $145.0 million from the sale of accounts receivable, depending on the available undivided interests in our accounts receivable from certain customers. This facility matures in April 2013 and replaces the operating partnership's previous 364-day facility which was to expire in April 2010. At April 30, 2010, we had received cash proceeds of $86.0 million related to the transfer of our trade accounts receivable to the accounts receivable securitization facility with the ability to receive cash proceeds, at our option, of an additional $15.0 million. As our trade accounts receivable increase during the winter heating season, the securitization facility permits us to receive greater proceeds as eligible trade accounts receivable increases, thereby providing additional cash for working capital needs. This transaction is reflected in our condensed consolidated financial statements as a sale of accounts receivable and a retained interest in transferred accounts receivable.

The operating partnership

Net cash provided by operating activities was $151.5 million for the nine months ended April 30, 2010, compared to net cash provided by operating activities of $205.8 million for the prior year period. This decrease in cash provided by operating activities was primarily due to a $108.5 million increase in working capital requirements and a $5.5 million decrease in cash flow from operations, which was partially offset by a $57.0 million increase in net funding from our accounts receivable securitization facility. The increase in working capital requirements was primarily due to $59.9 million from the impact of increased sales volumes as well as the timing of billings and collections on accounts receivable and a $52.0 million increase from the timing of inventory purchases. These increases in working capital requirements were somewhat offset by $10.3 million due to the timing of accounts payable disbursements. The decrease in cash flow from operations is primarily due to a decrease in net earnings resulting from the debt prepayment premiums of $17.3 million on the early redemption of our series D and E senior notes which was somewhat offset by an $11.1 million increase in operating income. The $57.0 million increase in net funding from our accounts receivable securitization facility is primarily due to an increase in accounts receivable sales to the facility to fund the working capital requirements discussed above.

**Investing Activities**

Net cash used in investing activities was $73.6 million for the nine months ended April 30, 2010, compared to net cash used in investing activities of $40.6 million for the prior year period. This increase in





net cash used in investing activities is primarily due to a $40.7 million increase in capital expenditures related to the acquisition of propane distribution assets, which is somewhat offset by a $10.0 million decrease in growth and maintenance capital expenditures.

**Financing Activities**

During the nine months ended April 30, 2010, net cash used in financing activities was $52.3 million compared to net cash used in financing activities of $157.1 million for the prior year period. The decrease in net cash used by financing activities was primarily due to a $127.0 million net increase in long-term borrowings and a $50.8 million decrease in repayments on short term borrowings. These cash increases were somewhat offset by a $49.5 million reduction in proceeds from equity offerings and a $17.5 million use of cash to fund transaction costs associated with the issuance of new term debt, the accounts receivable securitization facility and secured credit facility.

*Distributions*

Ferrellgas Partners paid a $0.50 per unit quarterly distribution on all common units, as well as the related general partner distributions, totaling $104.7 million during the nine months ended April 30, 2010 in connection with the distributions declared for the three months ended July 31, 2009, October 31, 2009 and January 31, 2010. The quarterly distribution on all common units and the related general partner distributions for the three months ended April 30, 2010 of $35.1 million is expected to be paid on June 14, 2010 to holders of record on June 7, 2010.

*Secured credit facility*

During November 2009, we closed on a new secured credit facility that provides $400.0 million in revolving credit for loans and has a $200.0 million sublimit for letters of credit. This secured credit facility replaced our unsecured credit facility due April 2010 and will mature in November 2012.

The secured credit facility contains various affirmative and negative covenants and default provisions, as well as requirements with respect to the maintenance of specified financial ratios and limitations on the making of loans and investments.

As of April 30, 2010, we had total borrowings outstanding under this secured credit facility due November 2012 of $92.5 million, of which $59.7 million was classified as long-term debt.

Borrowings under the secured credit facility had a weighted average interest rate of 4.63% at April 30, 2010. All borrowings under the secured credit facility bear interest, at Ferrellgas, L.P.'s option, at a rate equal to either:

- for Base Rate Loans or Swing Line Loans, the Base Rate, which is defined as the higher of i) the federal funds rate plus 0.50%, ii) Bank of America's prime rate; or iii) the Eurodollar Rate plus 1%; plus a margin varying from 2.50% to 3.25% (as of April 30, 2010, the margin was 3.00%); or

- for Eurodollar Rate Loans, the Eurodollar Rate, which is defined as the LIBOR Rate plus a margin varying from 3.50% to 4.25% (as of April 30, 2010, the margin was 4.00%).

As of April 30, 2010, the federal funds rate and Bank of America's prime rate were 0.20% and 3.25%, respectively. As of April 30, 2010, the one-month and three-month Eurodollar Rates were 0.30% and 0.40%, respectively.

In addition, an annual commitment fee is payable at a per annum rate of 0.50% times the actual daily amount by which the facility exceeds the sum of (i) the outstanding amount of revolving credit loans and (ii) the outstanding amount of letter of credit obligations.





All standby letter of credit commitments under our secured credit facility bear a per annum rate varying from 3.5% to 4.25% (as of April 30, 2010, the rate was 4.00%) times the daily maximum amount available to be drawn under such letter of credit. Letter of credit fees are computed on a quarterly basis in arrears.

The obligations under this secured credit facility are secured by substantially all assets of the operating partnership, the general partner and certain subsidiaries of the operating partnership but specifically excluding (a) assets that are subject to the operating partnership's accounts receivable securitization facility, (b) the general partner's equity interest in Ferrellgas Partners and (c) equity interest in certain unrestricted subsidiaries. Such obligations are also guaranteed by the general partner and certain subsidiaries of the operating partnership.

Availability under our secured and unsecured credit facilities are shown below:

| | Secured Credit Facility April 30, 2010 | Unsecured Credit Facility July 31, 2009 |
|---|---|---|
| Total borrowing capacity | $ 400,000 | $ 448,000 |
| Less: Letters of credit outstanding | (47,077) | (44,444) |
| Cash borrowings outstanding | (92,500) | (154,700) |
| Credit facility availability | $ 260,423 | $ 248,856 |

*Debt issuances and repayments*

During August 2009, the operating partnership made scheduled principal payments of $73.0 million on the 8.87% Series C senior notes.

During September 2009, the operating partnership issued $300.0 million in aggregate principal amount of new 9.125% senior notes due 2017 at an offering price equal to 98.6% of par. The proceeds from this transaction were used to fund the October 2009 note payments discussed below and to reduce credit facility borrowings.

During October 2009, the operating partnership prepaid the outstanding principal amount on its $82.0 million 7.24% series D notes due August 1, 2010 and its $70.0 million 7.42% series E notes due August 1, 2013 and the related prepayment premiums of $17.3 million.

During April 2010, Ferrellgas Partners and Ferrellgas Partners Finance Corp. completed a public offering of $280.0 million in aggregate principal amount of new 8.625% senior unsecured notes due 2020. Ferrellgas Partners applied the net proceeds of approximately $273.4 million to a cash tender offer to purchase any and all of its 8.75% senior notes due 2012 and to redeem any such notes that remain outstanding after April 30, 2010. As of April 30, 2010, Ferrellgas Partners had purchased $233.9 million of the senior notes pursuant to the cash tender offer. Ferrellgas Partners contributed $30.5 million of the remaining proceeds to the operating partnership to pay down borrowings on the secured credit facility. During May 2010, we issued an irrevocable notice to redeem at par the entire $34.1 million outstanding principal amount of the 8.75% senior notes due 2012 prior to the end of fiscal 2010.

We believe that the liquidity available from our secured credit facility and the accounts receivable securitization facility will be sufficient to meet our capital expenditure, working capital and letter of credit requirements for the remainder of fiscal 2010 and in fiscal 2011. See "Operating Activities" for discussion about our accounts receivable securitization facility. However, if we were to experience an unexpected significant increase in these requirements, our needs could exceed our immediately available resources. Events that could cause increases in these requirements include, but are not limited to the following:

- a significant increase in the wholesale cost of propane;





- a significant delay in the collections of accounts receivable;
- increased volatility in energy commodity prices related to risk management activities;
- increased liquidity requirements imposed by insurance providers;
- a significant downgrade in our credit rating leading to decreased trade credit; or
- a significant acquisition.

If one or more of these or other events caused a significant use of available funding, we may consider alternatives to provide increased liquidity and capital funding. No assurances can be given, however, that such alternatives would be available, or, if available, could be implemented. See discussion of related risk factors in both the section in our Annual Report on Form 10-K for our fiscal 2009 entitled, "Item 1A. Risk Factors" and "Item 1A. Risk Factors" within this Quarterly Report on Form 10-Q.

The operating partnership

The financing activities discussed above also apply to the operating partnership except for cash flows related to the redemption of $233.9 million of our 8.75% senior notes and the issuance of $280.0 million 8.625% senior notes and cash flows related to distributions and contributions received, as discussed below.

*Distributions*

The operating partnership paid cash distributions of $117.6 million during the nine months ended April 30, 2010. The operating partnership expects to pay cash distributions of $76.3 million on June 14, 2010.

**Disclosures about Effects of Transactions with Related Parties**

We have no employees and are managed and controlled by our general partner. Pursuant to our partnership agreement, our general partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on our behalf, and all other necessary or appropriate expenses allocable to us or otherwise reasonably incurred by our general partner in connection with operating our business. These reimbursable costs, which totaled $188.3 million for the nine months ended April 30, 2010, include operating expenses such as compensation and benefits paid to employees of our general partner who perform services on our behalf, as well as related general and administrative expenses.

Related party common unitholder information consisted of the following:

| | Common unit ownership at April 30, 2010 | Distributions paid during the nine months ended April 30, 2010 |
|---|---|---|
| Ferrell Companies (1) | 20,080,776 | $ 30,121 |
| FCI Trading Corp. (2) | 195,686 | 294 |
| Ferrell Propane, Inc. (3) | 51,204 | 77 |
| James E. Ferrell (4) | 4,353,475 | 6,530 |

(1) Ferrell Companies is the sole shareholder of our general partner.
(2) FCI Trading Corp. is an affiliate of the general partner and is wholly-owned by Ferrell Companies.
(3) Ferrell Propane, Inc. is wholly-owned by our general partner.
(4) James E. Ferrell is the Executive Chairman and Chairman of the Board of Directors of our general partner.

During the nine months ended April 30, 2010, Ferrellgas Partners and the operating partnership together paid the general partner distributions of $2.2 million.





On June 14, 2010 Ferrellgas Partners expects to pay distributions to Ferrell Companies, FCI Trading Corp., Ferrell Propane, Inc., James E. Ferrell (indirectly) and the general partner of $10.0 million, $0.1 million, $26 thousand, $2.2 million and $0.8 million, respectively.

During the nine months ended April 30, 2010, we paid Fleishman-Hillard Inc. $142 thousand for marketing and communications services. Elizabeth Solberg, a member of our general partner's Board of Directors, serves as the General Manager of Fleishman-Hillard Inc.

See Note H — Transactions with related parties — and Note F — Partners' capital — to our condensed consolidated financial statements for additional discussion regarding the effects of transactions with related parties.

**Contractual Obligations**

In the performance of our operations, we are bound by certain contractual obligations.

The only material changes outside the ordinary course of our business for our contractual obligations at July 31, 2009, related to adjustments for the effect of our April 2010 issuance of $280.0 million in aggregate principal amount of new 8.625% senior notes due 2020 and our early redemption of our $268.0 million 8.75% senior notes due 2012. The early redemption of the senior notes will be complete by the end of fiscal 2010. The change in the fixed rate interest obligations due to such issuance and redemption will be an additional $0.6 million in the fourth quarter of fiscal 2010, $0.7 million in each of fiscal years 2011 and 2012, $24.2 million in each of fiscal years 2013 and 2014, and $144.9 million thereafter.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We did not enter into any risk management trading activities during the nine months ended April 30, 2010. Our remaining market risk sensitive instruments and positions have been determined to be “other than trading.”

*Commodity Price Risk Management*

Our risk management activities primarily attempt to mitigate price risks related to the purchase, storage, transport and sale of propane generally in the contract and spot markets from major domestic energy companies on a short-term basis. We attempt to mitigate these price risks through the use of financial derivative instruments and forward propane purchase and sales contracts.

Our risk management strategy involves taking positions in the forward or financial markets that are equal and opposite to our positions in the physical products market in order to minimize the risk of financial loss from an adverse price change. This risk management strategy is successful when our gains or losses in the physical product markets are offset by our losses or gains in the forward or financial markets. These financial derivatives are designated as cash flow hedges.

Our risk management activities include the use of financial derivative instruments including, but not limited to, price swaps, options, futures and basis swaps to seek protection from adverse price movements and to minimize potential losses. We enter into these financial derivative instruments directly with third parties in the over-the-counter market and with brokers who are clearing members with the New York Mercantile Exchange. We also enter into forward propane purchase and sales contracts with counterparties. These forward contracts qualify for the normal purchase normal sales exception within GAAP guidance and are therefore not recorded prior to settlement on our financial statements.

Market risks associated with energy commodities are monitored daily by senior management for compliance with our commodity risk management policy. This policy includes an aggregate dollar loss limit and limits on the term of various contracts. We also utilize volume limits for various energy commodities



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and review our positions daily where we remain exposed to market risk, so as to manage exposures to changing market prices.

We have prepared a sensitivity analysis to estimate the exposure to market risk of our energy commodity positions. Forward contracts, futures, swaps and options outstanding as of April 30, 2010 and July 31, 2009, that were used in our risk management activities were analyzed assuming a hypothetical 10% adverse change in prices for the delivery month for all energy commodities. The potential loss in future earnings from these positions due to a 10% adverse movement in market prices of the underlying energy commodities was estimated at $0.7 million and $7.2 million as of April 30, 2010 and July 31, 2009, respectively. The preceding hypothetical analysis is limited because changes in prices may or may not equal 10%, thus actual results may differ.

Our sensitivity analysis includes designated hedging and the anticipated transactions associated with these hedging transactions. These hedging transactions are anticipated to be 100% effective; therefore, there is no effect on our sensitivity analysis from these hedging transactions. To the extent option contracts are used as hedging instruments for anticipated transactions we have included the offsetting effect of the anticipated transactions, only to the extent the option contracts are in the money, or would become in the money as a result of the 10% hypothetical movement in prices. All other anticipated transactions for risk management activities have been excluded from our sensitivity analysis.

*Credit Risk*

We maintain credit policies with regard to our counterparties for propane procurement that we believe significantly minimize overall credit risk. These policies include an evaluation of counterparties’ financial condition (including credit ratings), and entering into agreements with counterparties that govern credit guidelines.

These counterparties consist of major energy companies who are suppliers, wholesalers, retailers, end users and financial institutions. The overall impact due to certain changes in economic, regulatory and other events may impact our overall exposure to credit risk, either positively or negatively in that counterparties may be similarly impacted. Based on our policies, exposures, credit and other reserves, management does not anticipate a material adverse effect on financial position or results of operations as a result of counterparty performance.

*Interest Rate Risk*

At April 30, 2010 and July 31, 2009, we had $92.5 million and $154.7 million, respectively, in variable rate credit facility borrowings. Thus, assuming a one percent increase in our variable interest rate, our interest rate risk related to the borrowings on our variable rate credit facility would result in a loss in future earnings of $0.9 million for the twelve months ending April 30, 2011. The preceding hypothetical analysis is limited because changes in interest rates may or may not equal one percent, thus actual results may differ.

## ITEM 4. CONTROLS AND PROCEDURES.

An evaluation was performed by the management of Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, L.P., and Ferrellgas Finance Corp., with the participation of the principal executive officer and principal financial officer of our general partner, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures, as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act, were effective.

The management of Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, L.P., and Ferrellgas Finance Corp. does not expect that our disclosure controls and procedures will prevent all errors and all fraud. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Based on the inherent





limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the above mentioned Partnerships and Corporations have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events. Therefore, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our disclosure controls and procedures are designed to provide such reasonable assurances of achieving our desired control objectives, and the principal executive officer and principal financial officer of our general partner have concluded, as of April 30, 2010, that our disclosure controls and procedures are effective in achieving that level of reasonable assurance.

During the most recent fiscal quarter ended April 30, 2010, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) or Rule 15d-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

Our operations are subject to all operating hazards and risks normally incidental to handling, storing, transporting and otherwise providing for use by consumers of combustible liquids such as propane. As a result, at any given time, we are threatened with or named as a defendant in various lawsuits arising in the ordinary course of business. Currently, we are not a party to any legal proceedings other than various claims and lawsuits arising in the ordinary course of business. 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 reasonably expected to have a material adverse effect on our financial condition, results of operations and cash flows.

We have been named as a defendant in lawsuits filed in multiple federal and state courts that seek to certify nationwide or statewide classes related to our Blue Rhino branded propane tank exchange activities. The plaintiffs in each case generally allege that we failed to inform consumers of the amount of propane contained in propane tanks they purchased and that we violated anti-trust laws by allegedly conspiring with a competitor. The federal cases have been coordinated for multidistrict treatment in the United States District Court for the Western District of Missouri. Based on our business and consumer notification practices in our Blue Rhino tank exchange operations, we believe that all of these claims are without merit and intend to defend the claims vigorously.

### ITEM 1A. RISK FACTORS.

The following risk factor set forth in the section in our Annual Report on Form 10-K for our fiscal 2009 entitled, “Item 1A. Risk Factors” is no longer a current risk factor. As of April 30, 2010, the distribution priority expired.





*The distribution priority to our common units owned by the public terminates no later than April 30, 2010.*

Assuming that the restrictions under our debt agreements are met, our partnership agreements require us to distribute 100% of our available cash to our unitholders on a quarterly basis. Available cash is generally all of our cash receipts, less cash disbursements and adjustments for net changes in reserves. Currently, the common units owned by the public have a right to receive distributions of available cash before any distributions of available cash are made on the common units owned by Ferrell Companies. We must pay a distribution on the publicly-held common units before we pay a distribution on the common units held by Ferrell Companies. If there exists an outstanding amount of deferred distributions on the common units held by Ferrell Companies of $36.0 million, the common units held by Ferrell Companies will be paid in the same manner as the publicly-held common units. While there are any deferred distributions outstanding on common units held by Ferrell Companies, we may not increase the distribution to our public common unitholders above the highest quarterly distribution paid on our common units for any of the immediately preceding four fiscal quarters. After payment of all required distributions, we will use remaining available cash to reduce any amount previously deferred on the common units held by Ferrell Companies.

This distribution priority right is scheduled to end April 30, 2010, or earlier if there is a change of control, we dissolve or Ferrell Companies sells all of our common units held by it. Whether an extension of the expiration of the distribution priority is likely or unlikely involves several factors that are not currently known and/or cannot be assessed until a time closer to the expiration date. The termination of this distribution priority may lower the market price for our common units.

In addition to the other information set forth in this Quarterly Report, readers should carefully consider the factors discussed in the section in our Annual Report on Form 10-K for our fiscal 2009 entitled, “Item 1A. Risk Factors,” which could materially affect our business, financial condition, or results of operations. The risks described in our 2009 Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or results of operations.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

## ITEM 4. (REMOVED AND RESERVED).

## ITEM 5. OTHER INFORMATION.

None.



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## ITEM 6. EXHIBITS.

The exhibits listed below are furnished as part of this Quarterly Report on Form 10-Q. Exhibits required by Item 601 of Regulation S-K of the Securities Act, which are not listed, are not applicable.

| Exhibit Number | Description |
|---|---|
| 3.1 | Fourth Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P. dated as of February 18, 2003. Incorporated by reference to Exhibit 3.1 to our registration statement on Form S-3 filed March 6, 2009. |
| 3.2 | First Amendment to Fourth Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P. dated as of March 8, 2005. Incorporated by reference to Exhibit 3.2 to our registration statement on Form S-3 filed March 6, 2009. |
| 3.3 | Second Amendment to Fourth Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P. dated as of June 29, 2005. Incorporated by reference to Exhibit 3.3 to our registration statement on Form S-3 filed March 6, 2009. |
| 3.4 | Third Amendment to Fourth Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P. dated as of October 11, 2006. Incorporated by reference to Exhibit 3.4 to our registration statement on Form S-3 filed March 6, 2009. |
| 3.5 | Certificate of Incorporation of Ferrellgas Partners Finance Corp. filed with the Delaware Division of Corporations on March 28, 1996. Incorporated by reference to Exhibit 3.6 to our registration statement on Form S-3 filed March 6, 2009. |
| 3.6 | Bylaws of Ferrellgas Partners Finance Corp. Incorporated by reference to Exhibit 3.7 to our registration statement on Form S-3 filed March 6, 2009. |
| 3.7 | Third Amended and Restated Agreement of Limited Partnership of Ferrellgas, L.P. dated as of April 7, 2004. Incorporated by reference to Exhibit 3.5 to our registration statement on Form S-3 filed March 6, 2009. |
| 3.8 | Certificate of Incorporation of Ferrellgas Finance Corp. filed with the Delaware Division of Corporations on January 16, 2003. Incorporated by reference to Exhibit 3.8 to our registration statement on Form S-3 filed March 6, 2009. |
| 3.9 | Bylaws of Ferrellgas Finance Corp. adopted as of January 16, 2003. Incorporated by reference to Exhibit 3.9 to our registration statement on Form S-3 filed March 6, 2009. |
| 4.1 | Specimen Certificate evidencing Common Units representing Limited Partner Interests. Incorporated by reference to Exhibit A of Exhibit 3.1 to our registration statement on Form S-3 filed March 6, 2009. |
| 4.2 | Indenture dated as of September 24, 2002, with form of Note attached, among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp. and U.S. Bank National Association, as trustee, relating to $170,000,000 aggregate principal amount of the Registrant's 8 ¾% Senior Notes due 2012. Incorporated by reference to Exhibit 4.2 to our Quarterly Report on Form 10-Q filed March 10, 2009. |



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| 4.3 | Indenture dated as of April 20, 2004, with form of Note attached, among Ferrellgas Escrow LLC, Ferrellgas Finance Escrow Corporation and U.S. Bank National Association, as trustee, relating to $250 million aggregate amount of the Registrant's 6 ¾% Senior Notes due 2014. Incorporated by reference to Exhibit 4.3 to our Quarterly Report on Form 10-Q filed March 10, 2009. |
| 4.4 | Indenture dated as of August 4, 2008, with form of Note attached, among Ferrellgas, L.P., Ferrellgas Finance Corp. and U.S. Bank National Association, as trustee, relating to $200 million aggregate amount of the Registrant's 6 ¾% Senior Notes due 2014. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed August 5, 2008. |
| 4.5 | Indenture dated as of September 14, 2009, with form of Note attached, among Ferrellgas, L.P., Ferrellgas Finance Corp. and U.S. Bank National Association, as trustee, relating to $300 million aggregate amount of the Registrant's 9 1/8% Senior Notes due 2017. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed September 14, 2009. |
| 4.6 | Indenture dated as of April 13, 2010, among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp. and U.S. Bank |

National Association, as trustee, relating to $280 million aggregate amount of the Registrant's 8 5/8% Senior Notes due 2020. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed April 13, 2010.

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| | | 4.7 | First Supplemental Indenture dated as of April 13, 2010, with form of Note attached, among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp. and U.S. Bank National Association, as trustee, relating to $280 million aggregate amount of the Registrant's 8 5/8% Senior Notes due 2020. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed April 13, 2010. |
| | | 4.8 | Registration Rights Agreement dated as of September 14, 2009, by and among Ferrellgas, L.P., Ferrellgas Finance Corp. and the initial purchasers named therein. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed September 14, 2009. |
| | | 4.9 | Registration Rights Agreement dated as of August 4, 2008, by and among Ferrellgas, L.P., Ferrellgas Finance Corp. and the initial purchasers named therein. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed August 5, 2008. |
| | | 4.10 | Registration Rights Agreement dated as of December 17, 1999, by and between Ferrellgas Partners, L.P. and Williams Natural Gas Liquids, Inc. Incorporated by reference to Exhibit 4.8 to our Quarterly Report on Form 10-Q filed March 10, 2009. |
| | | 4.11 | First Amendment to Registration Rights Agreement dated as of March 14, 2000, by and between Ferrellgas Partners, L.P. and Williams Natural Gas Liquids, Inc. Incorporated by reference to Exhibit 4.9 to our Quarterly Report on Form 10-Q filed March 10, 2009. |
| | | 4.12 | Second Amendment to Registration Rights Agreement dated as of April 6, 2001, by and between Ferrellgas Partners, L.P. and The Williams Companies, Inc. Incorporated by reference to Exhibit 4.10 to our Quarterly Report on Form 10-Q filed March 10, 2009. |



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| | * | 4.13 | Third Amendment to Registration Rights Agreement dated as of June 29, 2005, by and between Ferrellgas Partners, L.P. and JEF Capital Management, Inc. |
| | | 10.1 | Credit Agreement dated as of November 2, 2009, among Ferrellgas, L.P. as the borrower, Ferrellgas, Inc. as the general partner of the borrower, Bank of America, N.A. as administrative agent, swing line lender and L/C issuer, and the lenders party hereto. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed November 4, 2009. |
| | | 10.2 | Receivable Sale Agreement dated as of April 6, 2010, between Ferrellgas, L.P., as originator, and Ferrellgas Receivables, LLC, as buyer. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed April 7, 2010. |
| | | 10.3 | Receivables Purchase Agreement dated as of April 6, 2010, among Ferrellgas Receivables, LLC, as seller, Ferrellgas, L.P., as servicer, the purchasers from time to time party hereto, Fifth Third Bank and BNP Paribas, as co-agents, and Wells Fargo Bank, N.A., as administrative agent. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed April 7, 2010. |
| # | | 10.4 | Ferrell Companies, Inc. Supplemental Savings Plan, as amended and restated effective January 1, 2010. Incorporated by reference to Exhibit 10.14 to our Quarterly Report on Form 10-Q filed March 10, 2010. |
| # | | 10.5 | Amended and Restated Ferrellgas Unit Option Plan. Incorporated by reference to Exhibit 10.17 to our Quarterly Report on Form 10-Q filed March 10, 2009. |
| # | | 10.6 | Ferrell Companies, Inc. 1998 Incentive Compensation Plan, as amended and restated effective October 11, 2004. Incorporated by reference to Exhibit 10.22 to our Annual Report on Form 10-K filed September 28, 2009. |
| # | * | 10.7 | Amendment to Ferrell Companies, Inc. 1998 Incentive Compensation Plan, dated as of March 7, 2010. |
| # | | 10.8 | Employment, Confidentiality, and Noncompete Agreement dated as of July 17, 1998 by and among Ferrell Companies, Inc. as the company, Ferrellgas, Inc. as the company, James E. Ferrell as the executive and LaSalle National Bank as trustee of the Ferrell Companies, Inc. Employee Stock Ownership Trust. Incorporated by reference to Exhibit 10.19 to our Quarterly Report on Form 10-Q filed March 10, 2009. |
| # | | 10.9 | Waiver to Employment, Confidentiality, and Noncompete Agreement dated as of December 19, 2006 by and among Ferrell Companies, Inc. as the company, Ferrellgas, Inc. as the company, James E. Ferrell as the executive and Greatbanc Trust Company as successor trustee to LaSalle National Bank. Incorporated by reference to Exhibit 10.19 to our Quarterly Report on Form 10-Q filed March 9, 2007. |
| # | | 10.10 | Amended and Restated Change In Control Agreement dated as of March 5, 2008 by and between Ferrellgas, Inc. as the company and Patrick J. Walsh as the executive. Incorporated by reference to exhibit 10.25 to our Quarterly Report on Form 10-Q filed March 7, 2008. |



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| # | | 10.11 | Change In Control Agreement dated as of March 5, 2008 by and between Ferrellgas, Inc. as the company and Richard V. Mayberry as the executive. Incorporated by reference to exhibit 10.28 to our Quarterly Report on Form 10-Q filed March 7, 2008. |
| # | | 10.12 | Change In Control Agreement dated as of October 9, 2006 by and between Ferrellgas, Inc. as the company and James E. Ferrell as the executive. Incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K filed October 12, 2006. |
| # | | 10.13 | Employment Agreement dated as of August 10, 2009 by and between Ferrellgas, Inc. as the company and Stephen L. Wambold as the executive. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed August 10, 2009. |
| # | | 10.14 | Employment Agreement dated as of August 10, 2009 by and between Ferrellgas, Inc. as the company and James R. VanWinkle as the executive. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed August 10, 2009. |
| # | | 10.15 | Employment Agreement dated as of August 10, 2009 by and between Ferrellgas, Inc. as the company and Jennifer Boren as the executive. Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed August 10, 2009. |
| # | | 10.16 | Employment Agreement dated as of August 10, 2009 by and between Ferrellgas, Inc. as the company and Tod Brown as the executive. Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed August 10, 2009. |
| # | | 10.17 | Employment Agreement dated as of August 10, 2009 by and between Ferrellgas, Inc. as the company and Eugene D. Caresia as the executive. Incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K filed August 10, 2009. |
| # | | 10.18 | Employment Agreement dated as of August 10, 2009 by and between Ferrellgas, Inc. as the company and George L. Koloroutis as the executive. Incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K filed August 10, 2009. |
| # | | 10.19 | Agreement and release dated as of December 4, 2007 by and among Ferrell Companies, Inc., Ferrellgas, Inc., Ferrellgas Partners L.P., Ferrellgas L.P. and Brian J. Kline as the employee. Incorporated by reference to Exhibit 10.33 to our Quarterly Report on Form 10-Q filed December 6, 2007. |
| # | | 10.20 | Agreement and release dated as of March 28, 2008 by and among Ferrell Companies, Inc., Ferrellgas, Inc., Ferrellgas Partners L.P., Ferrellgas, L.P. and Kevin T. Kelly as the employee. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed March 28, 2008. |
| # | | 10.21 | Services Agreement dated as of September 26, 2008 between Samson Dental Practice Management, LLC as the client and Ferrellgas, L.P. as the provider. Incorporated by reference to Exhibit 10.33 to our Annual Report on Form 10-K filed September 29, 2008. |



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| # | | 10.22 | Amendment No. 1 to Services Agreement dated as of May 1, 2009 between Samson Dental Practice Management, LLC as the client and Ferrellgas, L.P. as the provider. Incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed May 4, 2009. |
| # | * | 10.23 | Termination of Agreements dated as of March 12, 2010, by and between Ferrellgas, L.P., Ferrellgas, Inc. and Samson Dental Practice Management, LLC. |
| * | | 31.1 | Certification of Ferrellgas Partners, L.P. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act. |
| * | | 31.2 | Certification of Ferrellgas Partners Finance Corp. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act. |
| * | | 31.3 | Certification of Ferrellgas, L.P. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act. |
| * | | 31.4 | Certification of Ferrellgas Finance Corp. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act. |
| * | | 32.1 | Certification of Ferrellgas Partners, L.P. pursuant to 18 U.S.C. Section 1350. |
| * | | 32.2 | Certification of Ferrellgas Partners Finance Corp. pursuant to 18 U.S.C. Section 1350. |
| * | | 32.3 | Certification of Ferrellgas, L.P. pursuant to 18 U.S.C. Section 1350. |
| * | | 32.4 | Certification of Ferrellgas Finance Corp. pursuant to 18 U.S.C. Section 1350. |

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* Filed herewith
\# Management contracts or compensatory plans.

## SIGNATURES

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: June 9, 2010

By /s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Senior Vice President and Chief Financial Officer;
Treasurer (Principal Financial and Accounting Officer)

FERRELLGAS PARTNERS FINANCE CORP.

Date: June 9, 2010

By /s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Chief Financial Officer and Sole Director

FERRELLGAS, L.P.

By Ferrellgas, Inc. (General Partner)

Date: June 9, 2010

By /s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Senior Vice President and Chief Financial Officer;
Treasurer (Principal Financial and Accounting Officer)

FERRELLGAS FINANCE CORP.

Date: June 9, 2010

By /s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Chief Financial Officer and Sole Director

**Exhibit 4.13**

# THIRD AMENDMENT TO REGISTRATION RIGHTS AGREEMENT

This Third Amendment to Registration Rights Agreement (the "ThirdAmendment") is entered into effective as of June 29, 2005, by and between Ferrellgas Partners, L.P., a Delaware limited partnership (the " Issuer "), and JEF Capital Management, Inc., a Delaware corporation (" JEF Capital "). This Third Amendment amends the Registration Rights Agreement dated as of December 17, 1999, as amended (the " Registration Rights Agreement "), by and between the Issuer and Williams Natural Gas Liquids, Inc. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning given to them in the Registration Rights Agreement.

**RECITALS:**

**WHEREAS,**the Registration Rights Agreement was executed in connection with the issuance of Registrable Units by the Issuer to Williams Natural Gas Liquids, Inc.; and

**WHEREAS**, JEF Capital is the holder of all the Registrable Units issued by the Issuer; and

**WHEREAS,** pursuant to Section 9(d) of the Registration Rights Agreement, the parties hereto desire to amend the Registration Rights Agreement to reflect amendments incorporated into the Fourth Amended and Restated Agreement of Limited Partnership of the Issuer, as amended, which sets forth the rights, terms and obligations of the Registrable Units and the holders thereof;

**NOW, THEREFORE,** effective as of the date first set forth above, the Registration Rights Agreement is amended as follows:

## AMENDMENTS

1. Section 2(a)(i) and all references thereto in the Registration Rights Agreement are hereby deleted in their entirety. All provisions of the Registration Rights Agreement that required registration of Registrable Units pursuant to Section 2(a)(i) are hereby rendered ineffective.

2. The first sentence of Section 2(a)(ii) of the Registration Rights Agreement is hereby amended by replacing the phrase "At any time commencing on or after October 2, 2005" with the phrase "At any time commencing after the conversion of the Senior Units to Common Units.

3. Section 9 of the Registration Rights Agreement is renumbered as Section 10 and a new Section 9 is added as follows:

9. *Piggyback Registrations.*

(a) *Piggyback Rights*. If the Issuer or any subsidiary of the Issuer proposes at any time after the conversion of the Senior Units to Common Units, (i) to file a prospectus supplement to an effective shelf registration statement with respect to an Underwritten Offering of Common Units for its own account or (ii) to register

any Common Units for its own account for sale to the public in an Underwritten Offering other than (x) a registration relating solely to employee benefit plans, (y) a registration relating solely to a Rule 145 transaction, or (z) a registration on any registration form which does not permit secondary sales or does not include substantially the same information as would be required to be included in a registration statement covering the sale of Registrable Units (and there shall be no requirement for the Issuer to file an amendment to any existing registration statement if such amendment would potentially allow for a review of such registration statement by the Securities Exchange Commission), then, as soon as practicable following the engagement of counsel by the Issuer to prepare the documents to be used in connection with an Underwritten Offering, the Issuer shall give notice of such proposed Underwritten Offering to the Holders and such notice shall offer the Holders the opportunity to include in such Underwritten Offering such number of Registrable Securities as each such Holder may request in writing (a " Piggyback Registration "). Subject to Section 9(b), the Issuer shall include in such Underwritten Offering all such Registrable Securities (" Included Registrable Securities ") with respect to which the Issuer has received requests within two Business Days after the Issuer's notice has been delivered in accordance with this Section 9(a). If no request for inclusion from a Holder is received within the specified time, such Holder shall have no further right to participate in such Piggyback Registration. If, at any time after giving written notice of its intention to undertake an Underwritten Offering and prior to the closing of such Underwritten Offering, the Issuer shall determine for any reason not to undertake or to delay such Underwritten Offering, the Issuer may, at its election, give written notice of such determination to the Selling Holders and, (i) in the case of a determination not to undertake such Underwritten Offering, shall be relieved of its obligation to sell any Included Registrable Securities in connection with such terminated Underwritten Offering, and (ii) in the case of a determination to delay such Underwritten Offering, shall be permitted to delay offering any Included Registrable Securities for the same period as the delay in the Underwritten Offering. Any Holder shall have the right to withdraw such Holder's request for inclusion of such Holder's Registrable Securities in such offering by giving written notice to the Issuer of such withdrawal up to and including the time of pricing of such offering.

(b) *Priority of Piggyback Registration*.Issuer, in its sole discretion and under advisement by the managing underwriter or underwriters of any proposed Underwritten Offering of Common Units included in a Piggyback Registration, may reduce or terminate the Holders rights under this Section 9 with respect such Piggyback Registration if such managing underwriter advises the Issuer that the total amount of Common Units which the Holders and any other Persons intend to include in such offering exceeds the number which can be sold in such offering without being likely to have an adverse effect in any material respect on the price, timing or distribution of the Common Units offered or the market for the Common Units.



(c) *Termination of Piggyback Registration Rights*. The Piggyback Registration rights granted pursuant to this Section 9 shall be available only for a total of three (3) requests by the Holders; provided, however, that a request shall be counted for purposes of this Section 9(c) only upon the effectiveness of a registration statement that includes Registrable Units; provided, further, that a Permitted Holder will be limited to one (1) request (which request shall count towards the three (3) requests of the Holders set forth above and shall not be available if such three (3) requests have been used).

4. Prior Section 9(f) of the Registration Rights Agreement, which was renumbered as Section 10(f) above, is hereby amended and restated in its entirety to read as follows:

*Successors and Assigns*. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto and the Holders; *provided, however* , that this Agreement shall not inure to the benefit of or be binding upon a successor or assign of a Holder unless and to the extent such successor or assign holds Registrable Units and is either (i) an Affiliate (as defined in the Partnership Agreement) of JEF Capital Management, Inc., or (ii) holds at least 25% of the Registrable Units initially issued upon conversion of the Senior Units and obtained such Registrable Units directly from JEF Capital Management, Inc. or its Affiliate (a "Permitted Holder").

**GENERAL PROVISIONS**

5. Except as expressly amended hereby, the Registration Rights Agreement shall continue in full force and effect in accordance with the provisions thereof on the date hereof.

6. Section 9 of the Registration Rights Agreement, which has been renumbered as Section 10 above, shall apply to this Third Amendment and be incorporated herein with the same force and effect as if those sections were reprinted as part of this Third Amendment.

**IN WITNESS WHEREOF,** the parties hereto have executed this Third Amendment effective for all purposes as of the date first set forth above.

ISSUER:

**FERRELLGAS PARTNERS, L.P.**

By: Ferrellgas, Inc., its General Partner

By: /s/Kevin T. Kelly

Kevin T. Kelly
Senior Vice President



HOLDER OF ALL REGISTRABLE UNITS:

**JEF CAPITAL MANAGEMENT, INC.**

By: /s/Theresa Schekirke

Theresa Schekirke
President

**EXHIBIT 10.7**

**AMENDMENT**

**to the**

**FERRELL COMPANIES, INC.
1998 INCENTIVE COMPENSATION PLAN**

WHEREAS, Section 9.7 of the Ferrell Companies, Inc. 1998 Incentive Compensation Plan (the “Plan”) provides that the Board of Directors of Ferrell Companies, Inc. (the “Board”) may amend the Plan at any time;

WHEREAS, the Board has approved an increase in the number of shares of common stock of Ferrell Companies, Inc. that are available for issuance under the Plan; and

WHEREAS, the Board has determined that it is desirable for the trustee of the Ferrell Companies, Inc. Employee Stock Ownership Plan (the “ESOP”) to approve the increase to the number of shares;

NOW, THEREFORE, the following amendment to the Plan is hereby approved:

1. The following is hereby substituted for Section 4.1 of the Plan:

**“4.1 Number of Shares Reserved.** Subject to adjustment in accordance with Sections 4.2 and 4.3, the aggregate number of shares of FCI common stock (‘Common Stock’) available for incentives under the Plan shall be 9,250,000. All shares of Common Stock issued under the Plan may be authorized and unissued shares or treasury shares.”

2. The following is hereby substituted for Section 4.3 of the Plan:

“4.3 **Adjustments to Shares Reserved.** In the event of any merger, consolidation, reorganization, recapitalization, spinoff, stock dividend, stock split, reverse stock split, exchange, or other distribution with respect to shares of Common Stock or other change in the corporate structure or capitalization affecting the Common Stock (each being an ‘Adjustment’), the type and number of shares of stock which are or may be subject to incentives under the Plan and the terms of any outstanding incentives (including the price at which shares of stock may be issued pursuant to an outstanding incentive) shall be equitably adjusted by the Committee, in its sole discretion, to preserve both the value of incentives awarded or to be awarded to Participants under the Plan and number of shares of stock which are or may be subject to incentives under the Plan prior to the date of Adjustment (taking into account both incentives granted but not yet distributed from the Plan and incentives not yet granted under the Plan).”

IN WITNESS WHEREOF, the undersigned, as trustee of the ESOP, hereby consents to the foregoing amendment.

TRUSTEE

By: /s/ Vaughn Gordy

Its: President

# TERMINATION OF AGREEMENTS

This Termination of Agreements ("Termination") is entered this 12th day of March, 2010, by and between Ferrellgas, L.P. and Ferrellgas, Inc. (collectively, "Ferrellgas") and Samson Dental Practice Management, L.L.C. ("Samson").

WHEREAS, the parties entered into a Services Agreement dated September 11, 2008 and entered into a Sub-Contractor Business Associate Agreement dated August 11, 2008 (collectively, the "Agreements"), and

WHEREAS, the services anticipated by such agreements are no longer necessary, and the parties desire to terminate the obligations under the Agreements;

NOW, THEREFORE, the parties agree as follows:

1. The parties agree that the Services Agreement and Sub-Contractor Business Associate Agreement are hereby terminated, effective March 12, 2010.

2. Each party acknowledges the satisfactory and full performance of the other party and agrees that all claims and obligations inuring pursuant to such Agreements are hereby cancelled and released.

3. The parties acknowledge that Ferrellgas does not have in its possession any Protected Health Information, as defined in the Sub-Contractor Business Associate Agreement.

4. The parties acknowledge that Samson has paid all sums due to Ferrellgas pursuant to the Services Agreement, and that Ferrellgas has performed all duties required of it pursuant to that Agreement.

**Samson Dental Practice Management, L.L.C.**

By /s/ Pamela Breuckmann

**Ferrellgas, L.P. by Ferrellgas, Inc., its general partner**

By /s/ Trent Hampton
Trent Hampton, VP Legal

**Ferrellgas, Inc.**

By /s/ Trent Hampton
Trent Hampton, VP Legal

**Exhibit 31.1**

**CERTIFICATIONS**
**FERRELLGAS PARTNERS, L.P.**

I, Stephen L. Wambold, certify that:

1. I have reviewed this report on Form 10-Q for the period ended April 30, 2010 of Ferrellgas Partners, L.P. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: June 9, 2010

/s/ Stephen L. Wambold
Stephen L. Wambold
Chief Executive Officer and President of Ferrellgas, Inc.,
general partner of the Registrant

---

**CERTIFICATIONS**
**FERRELLGAS PARTNERS, L.P.**

I, J. Ryan VanWinkle, certify that:

1. I have reviewed this report on Form 10-Q for the period ended April 30, 2010 of Ferrellgas Partners, L.P. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: June 9, 2010

/s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Senior Vice President and Chief Financial Officer;
Treasurer (Principal Financial and Accounting Officer) of
Ferrellgas, Inc., general partner of the Registrant

**Exhibit 31.2**

**CERTIFICATIONS**
**FERRELLGAS PARTNERS FINANCE CORP.**

I, Stephen L. Wambold, certify that:

1. I have reviewed this report on Form 10-Q for the period ended April 30, 2010 of Ferrellgas Partners Finance Corp. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: June 9, 2010

/s/ Stephen L. Wambold
Stephen L. Wambold
Chief Executive Officer and President

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**CERTIFICATIONS**
**FERRELLGAS PARTNERS FINANCE CORP.**

I, J. Ryan VanWinkle, certify that:

1. I have reviewed this report on Form 10-Q for the period ended April 30, 2010 of Ferrellgas Partners Finance Corp. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: June 9, 2010

/s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Chief Financial Officer and Sole Director

**Exhibit 31.3**

**CERTIFICATIONS**
**FERRELLGAS, L.P.**

I, Stephen L. Wambold, certify that:

1. I have reviewed this report on Form 10-Q for the period ended April 30, 2010 of Ferrellgas, L.P. (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: June 9, 2010

/s/ Stephen L. Wambold
Stephen L. Wambold
Chief Executive Officer and
President of Ferrellgas, Inc., general
partner of the Registrant

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**CERTIFICATIONS**
**FERRELLGAS, L.P.**

I, J. Ryan VanWinkle, certify that:

1. I have reviewed this report on Form 10-Q for the period ended April 30, 2010 of Ferrellgas, L.P. (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: June 9, 2010

/s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Senior Vice President and Chief Financial Officer;
Treasurer (Principal Financial and Accounting Officer) of Ferrellgas, Inc., general partner of the Registrant

**Exhibit 31.4**

**CERTIFICATIONS**
**FERRELLGAS FINANCE CORP.**

I, Stephen L. Wambold, certify that:

1. I have reviewed this report on Form 10-Q for the period ended April 30, 2010 of Ferrellgas Finance Corp. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: June 9, 2010

/s/ Stephen L. Wambold
Stephen L. Wambold
Chief Executive Officer and President

---

**CERTIFICATIONS**
**FERRELLGAS FINANCE CORP.**

I, J. Ryan VanWinkle certify that:

1. I have reviewed this report on Form 10-Q for the period ended April 30, 2010 of Ferrellgas Finance Corp. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: June 9, 2010

/s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Chief Financial Officer and Sole Director

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906**
**OF THE**
**SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of Ferrellgas Partners, L.P. (the “Partnership”) for the three months ended April 30, 2010, as filed with the Securities and Exchange Commission (the “SEC”) on the date hereof (the “Report”), the undersigned, in the capacity and on the date indicated below, hereby certify pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership at the dates and for the periods indicated within the Report.

The foregoing certification is made solely for purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is subject to the “knowledge” and “willfulness” qualifications contained in 18 U.S.C. 1350(c).

This certification is being furnished to the SEC and is not to be deemed “filed” with the SEC for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18. In addition, this certification is not to be incorporated by reference into any registration statement of the Partnership or other filing of the Partnership made pursuant to the Exchange Act or Securities Act of 1933, as amended, unless specifically identified as being incorporated therein by reference.

Dated: June 9, 2010

/s/ Stephen L. Wambold
Stephen L. Wambold
Chief Executive Officer and President of Ferrellgas, Inc., the Partnership’s general partner

/s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Senior Vice President and Chief Financial Officer;
Treasurer (Principal Financial and Accounting Officer) of Ferrellgas, Inc., the Partnership’s general partner

---

***As required by 18 U.S.C. 1350, a signed original of this written statement has been provided to the Partnership.**

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906**
**OF THE**
**SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of Ferrellgas Partners Finance Corp. for the three months ended April 30, 2010, as filed with the Securities and Exchange Commission (the “SEC”) on the date hereof (the “Report”), the undersigned, in the capacity and on the date indicated below, hereby certify pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Ferrellgas Partners Finance Corp. at the dates and for the periods indicated within the Report.

The foregoing certification is made solely for purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is subject to the “knowledge” and “willfulness” qualifications contained in 18 U.S.C. 1350(c).

This certification is being furnished to the SEC and is not to be deemed “filed” with the SEC for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18. In addition, this certification is not to be incorporated by reference into any registration statement of Ferrellgas Partners Finance Corp. or other filing of Ferrellgas Partners Finance Corp. made pursuant to the Exchange Act or Securities Act of 1933, as amended, unless specifically identified as being incorporated therein by reference.

Dated: June 9, 2010

/s/ Stephen L. Wambold
Stephen L. Wambold
Chief Executive Officer and President

/s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Chief Financial Officer and Sole Director

***As required by 18 U.S.C. 1350, a signed original of this written statement has been provided to Ferrellgas Partners Finance Corp.**

**Exhibit 32.3**

**CERTIFICATION PURSUANT TO
18 U.S.C. 1350,
AS ADOPTED PURSUANT TO
SECTION 906
OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of Ferrellgas, L.P. (“the Partnership”) for the three months ended April 30, 2010, as filed with the Securities and Exchange Commission (the “SEC”) on the date hereof (the “Report”), the undersigned, in the capacity and on the date indicated below, hereby certify pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Ferrellgas, L.P. at the dates and for the periods indicated within the Report.

The foregoing certification is made solely for purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is subject to the “knowledge” and “willfulness” qualifications contained in 18 U.S.C. 1350(c).

This certification is being furnished to the SEC and is not to be deemed “filed” with the SEC for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18. In addition, this certification is not to be incorporated by reference into any registration statement of the Partnership or other filing of the Partnership made pursuant to the Exchange Act or Securities Act of 1933, as amended, unless specifically identified as being incorporated therein by reference.

Dated: June 9, 2010

/s/ Stephen L. Wambold
Stephen L. Wambold
Chief Executive Officer and President of Ferrellgas, Inc., the Partnership’s general partner

/s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Senior Vice President and Chief Financial Officer;
Treasurer (Principal Financial and Accounting Officer) of Ferrellgas, Inc., the Partnership’s general partner

***As required by 18 U.S.C. 1350, a signed original of this written statement has been provided to the Partnership**

**Exhibit 32.4**

**CERTIFICATION PURSUANT TO
18 U.S.C. 1350,
AS ADOPTED PURSUANT TO
SECTION 906
OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of Ferrellgas Finance Corp. for the three months ended April 30, 2010, as filed with the Securities and Exchange Commission (the “SEC”) on the date hereof (the “Report”), the undersigned, in the capacity and on the date indicated below, hereby certify pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Ferrellgas Finance Corp. at the dates and for the periods indicated within the Report.

The foregoing certification is made solely for purposes of 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is subject to the “knowledge” and “willfulness” qualifications contained in 18 U.S.C. 1350(c).

This certification is being furnished to the SEC and is not to be deemed “filed” with the SEC for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18. In addition, this certification is not to be incorporated by reference into any registration statement of Ferrellgas Finance Corp. or other filing of Ferrellgas Finance Corp. made pursuant to the Exchange Act or Securities Act of 1933, as amended, unless specifically identified as being incorporated therein by reference.

Dated: June 9, 2010

/s/ Stephen L. Wambold
Stephen L. Wambold
Chief Executive Officer and President

/s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Chief Financial Officer and Sole Director

***As required by 18 U.S.C. 1350, a signed original of this written statement has been provided to Ferrellgas Finance Corp.**