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January 31, 2014

July 31, 2013

Accounts receivable pledged as collateral

\$

314,475

\$

130,025

Accounts receivable

46,009

4,867

Other

477

506

Less: Allowance for doubtful accounts

(4,602

)

(3,607

)

Accounts and notes receivable, net

\$

356,359

\$

131,791

At January 31, 2014, \$314.5 million of trade accounts receivable were pledged as collateral against \$219.0 million of collateralized notes payable due to a commercial paper conduit. At July 31, 2013, \$130.0 million of trade accounts receivable were pledged as collateral against \$82.0 million of collateralized notes payable due to the commercial paper conduit. These accounts receivable pledged as collateral are bankruptcy remote from Ferrellgas, L.P. Ferrellgas, L.P. does not provide any guarantee or similar support to the collectability of these accounts receivable pledged as

collateral.

As of January 31, 2014, Ferrellgas, L.P. had received cash proceeds of \$219.0 million from trade accounts receivables securitized, with no remaining capacity to receive additional proceeds. As of July 31, 2013, Ferrellgas, L.P. had received cash proceeds of \$82.0 million from trade accounts receivables securitized, with no remaining capacity to receive additional proceeds. Borrowings under the accounts receivable securitization facility had a weighted average interest rate of 2.0% and 2.4% as of January 31, 2014 and July 31, 2013, respectively.

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E. Debt

Short-term borrowings

Ferrellgas, L.P. classified a portion of its secured 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 January 31, 2014 and July 31, 2013, \$67.0 million and \$50.1 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:

	January 31, 2014	July 31, 2013
Senior notes		
Fixed rate, 6.50%, due 2021	\$ 500,000	\$ 500,000
Fixed rate, 6.75%, due 2022	325,000	—
Fixed rate, 9.125%, due 2017, net of unamortized discount of \$2,556 at July 31, 2013	—	297,444
Fair value adjustments related to interest rate swaps	(3,197	) (1,657)
Secured credit facility		
Variable interest rate, expiring October 2018 (net of \$67.0 million and \$50.1 million classified as short-term borrowings at January 31, 2014 and July 31, 2013, respectively)	140,455	121,346
Notes payable		
9.0% and 9.1% weighted average interest rate at January 31, 2014 and July 31, 2013, respectively, due 2014 to 2022, net of unamortized discount of \$2,176 and \$2,392 at January 31, 2014 and July 31, 2013, respectively	9,836	10,898
	972,094	928,031
Less: current portion, included in other current liabilities on the condensed consolidated balance sheets	3,183	3,091
Long-term debt	\$ 968,911	\$ 924,940

Senior Notes

During November 2013, Ferrellgas, L.P. issued \$325.0 million in aggregate principal amount of 6.75% senior notes due 2022 at an offering price equal to par. Ferrellgas, L.P. received \$319.3 million of net proceeds after deducting underwriters' fees. Ferrellgas, L.P. used the net proceeds to redeem all of its \$300.0 million 9.125% fixed rate senior notes due October 1, 2017. Ferrellgas, L.P. used the remaining proceeds to pay the related \$14.7 million make whole and consent payments, \$3.3 million in interest payments and to reduce outstanding indebtedness under the secured credit facility. This redemption also resulted in \$6.0 million of non-cash write-offs of unamortized debt discount and related capitalized debt costs. The make whole and consent payments and the non-cash write-offs of unamortized debt discount and related capitalized debt costs are classified as loss on extinguishment of debt.

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As a result of the above transactions, the scheduled annual principal payments on long-term debt have been updated as follows:

For the fiscal year ending July 31,	Scheduled annual principal payments
2014	\$ 795
2015	3,053
2016	2,997
2017	2,676
2018	1,074
Thereafter	966,872
Total	\$977,467

Secured credit facility

During October 2013, Ferrellgas, L.P. executed an amendment to its secured credit facility. This amendment extended the maturity date to October 2018 and increased the size of the facility from \$400.0 million to \$500.0 million with no change to the size of the letter of credit sublimit which remains at \$200.0 million. Ferrellgas, L.P. incurred a loss on extinguishment of debt of \$0.3 million related to the writeoff of capitalized financing costs. Borrowings on the amended secured credit facility bear interest, at our 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 1.00%; plus a margin varying from 0.75% to 1.75%; or

for Eurodollar Rate Loans, the Eurodollar Rate, which is defined as the LIBOR Rate plus a margin varying from 1.75% to 2.75%.

As of January 31, 2014, Ferrellgas, L.P. had total borrowings outstanding under its secured credit facility of \$207.5 million, of which \$140.5 million was classified as long-term debt. As of July 31, 2013, Ferrellgas, L.P. had total borrowings outstanding under its secured credit facility of \$171.4 million, of which \$121.3 million was classified as long-term debt. Additionally, Ferrellgas had \$232.2 million and \$177.9 million of available borrowing capacity under our secured credit facility as of January 31, 2014 and January 31, 2013, respectively.

Borrowings outstanding at January 31, 2014 and July 31, 2013 under the secured credit facilities had weighted average interest rates of 3.4% and 3.7%, respectively.

The obligations under this 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 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 Ferrellgas, L.P.

Letters of credit outstanding at January 31, 2014 totaled \$60.3 million and were used primarily to secure insurance arrangements and to a lesser extent, product purchases. Letters of credit outstanding at July 31, 2013 totaled \$53.9 million and were used primarily to secure insurance arrangements and to a lesser extent, commodity hedges and product purchases. At January 31, 2014, Ferrellgas, L.P. had remaining letter of credit capacity of \$139.7 million. At July 31, 2013 Ferrellgas, L.P. had remaining letter of credit capacity of \$146.1 million.

Interest rate swaps

During May 2012, Ferrellgas, L.P. entered into a \$140.0 million interest rate swap agreement to hedge against changes in the fair value of a portion of its \$300.0 million 9.125% fixed rate senior notes due 2017. Ferrellgas, L.P. received 9.125% and paid one-month LIBOR plus 7.96% on the \$140.0 million swapped. Ferrellgas, L.P. accounted for this agreement as a fair value hedge. In October 2013, this interest rate swap was terminated. As a result, Ferrellgas, L.P. discontinued hedge accounting treatment for this agreement at a cost of \$0.2 million, which was classified as loss on extinguishment of debt when the related senior notes were redeemed as discussed above.

F. Partners' capital

Partnership distributions paid

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

	For the three months ended January 31,		For the six months ended January 31,	
	2014	2013	2014	2013
Ferrellgas Partners	\$47,821	\$47,756	\$87,756	\$87,663
General partner	488	487	896	894
	\$48,309	\$48,243	\$88,652	\$88,557

On February 27, 2014, Ferrellgas, L.P. declared distributions for the three months ended January 31, 2014 to Ferrellgas Partners and the general partner of \$40.0 million and \$0.4 million, respectively, which are expected to be paid on March 17, 2014.

See additional discussions about transactions with related parties in Note I – Transactions with related parties.

Accumulated other comprehensive income (loss) (“AOCI”)

See Note H – Derivative instruments and hedging activities – for details regarding changes in the fair value of risk management financial derivatives recorded within AOCI for the six months ended January 31, 2014 and 2013.

General partner's commitment to maintain its capital account

Ferrellgas, L.P.'s partnership agreement allows the general partner to have an option to maintain its 1.0101% general partner interest concurrent with the issuance of other additional equity.

During the six months ended January 31, 2014, the general partner made non-cash contributions of \$0.2 million to Ferrellgas, L.P. to maintain its 1.0101% general partner interest.

During the six months ended January 31, 2013, the general partner made non-cash contributions of \$0.2 million to Ferrellgas, L.P. to maintain its 1.0101% general partner interest.

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G. Fair value measurements

Derivative Financial Instruments

The following table presents Ferrellgas L.P.'s financial assets and financial liabilities that are measured at fair value on a recurring basis for each of the fair value hierarchy levels, including both current and noncurrent portions, as of January 31, 2014 and July 31, 2013:

	Asset (Liability) Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
January 31, 2014:				
Assets:				
Derivative financial instruments:				
Interest rate swap agreements	\$—	\$2,171	\$—	\$2,171
Propane commodity derivatives	\$—	\$14,333	\$—	\$14,333
Liabilities:				
Derivative financial instruments:				
Interest rate swap agreements	\$—	\$(6,003	) \$—	\$(6,003)
July 31, 2013:				
Assets:				
Derivative financial instruments:				
Interest rate swap agreements	\$—	\$3,783	\$—	\$3,783
Propane commodity derivatives	\$—	\$2,532	\$—	\$2,532
Liabilities:				
Derivative financial instruments:				
Interest rate swap agreements	\$—	\$(4,998	) \$—	\$(4,998)
Propane commodity derivatives	\$—	\$(907	) \$—	\$(907)

The fair values of Ferrellgas L.P.'s non-exchange traded commodity derivative contracts are based upon indicative price quotations available through brokers, industry price publications or recent market transactions and related market indicators. The fair values of interest rate swap contracts are based upon third-party quotes or indicative values based on recent market transactions.

H. Derivative instruments and hedging activities

Ferrellgas, L.P. is exposed to certain market risks related to its ongoing business operations. These risks include exposure to changing commodity prices as well as fluctuations in interest rates. Ferrellgas, L.P. utilizes derivative instruments to manage its exposure to fluctuations in commodity prices. Ferrellgas, L.P. also periodically utilizes derivative instruments to manage its exposure to fluctuations in interest rates.

Derivative instruments and hedging activities

During the six months ended January 31, 2014 and 2013, Ferrellgas, L.P. did not recognize any gain or loss in earnings related to hedge ineffectiveness and did not exclude any component of financial derivative contract gains or losses from the assessment of hedge effectiveness related to commodity cash flow hedges.

The following tables provide a summary of the fair value derivatives that were designated as hedging instruments in Ferrellgas, L.P.'s condensed consolidated balance sheets as of January 31, 2014 and July 31, 2013:

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Derivative Instrument	January 31, 2014		Liability Derivatives	
	Asset Derivatives	Fair value	Location	Fair value
Propane commodity derivatives	Prepaid expenses and other current assets	\$11,914	Other current liabilities	\$—
Propane commodity derivatives	Other assets, net	2,419	Other liabilities	—
Interest rate swap agreements	Prepaid expenses and other current assets	2,171	Other current liabilities	—
Interest rate swap agreements	Other assets, net	—	Other liabilities	6,003
	Total	\$16,504	Total	\$6,003

Derivative Instrument	July 31, 2013		Liability Derivatives	
	Asset Derivatives	Fair value	Location	Fair value
Propane commodity derivatives	Prepaid expenses and other current assets	\$1,400	Other current liabilities	\$569
Propane commodity derivatives	Other assets, net	1,132	Other liabilities	338
Interest rate swap agreements	Prepaid expenses and other current assets	3,341	Other current liabilities	—
Interest rate swap agreements	Other assets, net	442	Other liabilities	4,998
	Total	\$6,315	Total	\$5,905

The following table provides a summary of the effect on Ferrellgas L.P.'s condensed consolidated statements of earnings for the six months ended January 31, 2014 and 2013 due to derivatives designated as fair value hedging instruments:

Derivative Instrument	Location of Gain Recognized on Derivative	Amount of Gain Recognized on Derivative		Amount of Interest Expense Recognized on Fixed-Rated Debt (Related Hedged Item)	
		For the three months ended January 31, 2014	2013	For the three months ended January 31, 2014	2013
Interest rate swap agreements	Interest expense	\$489	\$883	\$(2,275)	\$(5,469)

Derivative Instrument	Location of Gain Recognized on Derivative	Amount of Gain Recognized on Derivative		Amount of Interest Expense Recognized on Fixed-Rated Debt (Related Hedged Item)	
		For the six months ended January 31, 2014	2013	For the six months ended January 31, 2014	2013
Interest rate swap agreements	Interest expense	\$1,321	\$1,607	\$(7,640)	\$(10,938)

The following tables provide a summary of the effect on Ferrellgas, L.P.'s condensed consolidated statements of comprehensive income for the three and six months ended January 31, 2014 and 2013 due to the effective portion of derivatives designated as cash flow hedging instruments:

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For the three months ended January 31, 2014

Derivative Instrument	Amount of Gain (Loss) Recognized in AOCI	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income
Propane commodity derivatives	\$5,846	Cost of product sold- propane and other gas liquids sales	\$(3,826)
Interest rate swap agreements	(63)	Interest expense	—
	\$5,783		\$(3,826)

For the three months ended January 31, 2013

Derivative Instrument	Amount of Gain (Loss) Recognized in AOCI	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income
Propane commodity derivatives	\$(5,612)	Cost of product sold- propane and other gas liquids sales	\$(4,434)
Interest rate swap agreements	(593)	Interest expense	—
	\$(6,205)		\$(4,434)

For the six months ended January 31, 2014

Derivative Instrument	Amount of Gain (Loss) Recognized in AOCI	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income
Propane commodity derivatives	\$17,463	Cost of product sold- propane and other gas liquids sales	\$(4,755)
Interest rate swap agreements	(1,076)	Interest expense	—
	\$16,387		\$(4,755)

For the six months ended January 31, 2013

Derivative Instrument	Amount of Gain (Loss) Recognized in AOCI	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income
Propane commodity derivatives	\$914	Cost of product sold- propane and other gas liquids sales	\$(8,625)
Interest rate swap agreements	(843)	Interest expense	—
	\$71		\$(8,625)

The changes in derivatives included in AOCI for the six months ended January 31, 2014 and 2013 were as follows:

For the six months ended January 31,

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Gains and losses on derivatives included in AOCI	2014	2013	
Beginning balance	\$2,066	\$(12,799)
Change in value of risk management commodity derivatives	17,463	914	
Reclassification of gains and losses on commodity hedges to cost of product sold - propane and other gas liquids sales	(4,755	) 8,625	
Change in value of risk management interest rate derivatives	(1,076) (843)
Ending balance	\$13,698	\$(4,103)

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Ferrellgas, L.P. expects to reclassify net gains of approximately \$11.9 million to earnings during the next 12 months. These net gains are expected to be offset by reduced margins on propane sales commitments Ferrellgas, L.P. has with its customers that qualify for the normal purchase normal sales exception.

During the six months ended January 31, 2014 and 2013, Ferrellgas, L.P. had no reclassifications to earnings resulting from the 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 January 31, 2014, Ferrellgas, L.P. had financial derivative contracts covering 1.4 million barrels of propane that were entered into as cash flow hedges of forward and forecasted purchases of propane.

Derivative Financial Instruments Credit Risk

Ferrellgas, L.P. is exposed to credit loss in the event of nonperformance by counterparties to derivative financial and commodity instruments. Ferrellgas, L.P.'s counterparties principally consist of major energy companies and major U.S. financial institutions. Ferrellgas, L.P. maintains credit policies with regard to its counterparties that it believes reduces its overall credit risk. These policies include evaluating and monitoring its counterparties' financial condition, including their credit ratings, and entering into agreements with counterparties that govern credit limits. Certain of these agreements call for the posting of collateral by the counterparty or by Ferrellgas, L.P. in the forms of letters of credit, parental guarantees or cash. Although Ferrellgas, L.P. has concentrations of credit risk associated with derivative financial instruments held by certain derivative financial instrument counterparties, the maximum amount of loss due to credit risk that, based upon the gross fair values of the derivative financial instruments, Ferrellgas, L.P. would incur if these counterparties that make up the concentration failed to perform according to the terms of their contracts was \$14.3 million at January 31, 2014.

Ferrellgas, L.P. holds certain derivative contracts that have credit-risk-related contingent features which dictate credit limits based upon the Ferrellgas, L.P.'s debt rating. At January 31, 2014, a downgrade in the Ferrellgas, L.P.'s debt rating would not trigger any further reduction in credit limit. There were no derivatives with credit-risk-related contingent features in a liability position on January 31, 2014 and Ferrellgas, L.P. had no posted collateral in the normal course of business related to such derivatives.

I. 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 January 31,		For the six months ended January 31,	
	2014	2013	2014	2013
Operating expense	\$61,412	\$53,594	\$109,570	\$101,378
General and administrative expense	\$9,200	\$7,183	\$15,101	\$13,456

See additional discussions about transactions with the general partner and related parties in Note F – Partners' capital.

J. Contingencies and commitments

Litigation

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. can be threatened with or named as a defendant in various lawsuits arising in the ordinary course of business. Other than as discussed below, 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 consolidated financial condition, results of operations and cash flows of Ferrellgas, L.P.

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During the first quarter of fiscal 2014 Ferrellgas, L.P. reached a settlement with the Offices of the District Attorneys of several counties in California relating to an investigation of labeling and filling practices relating to the amount of propane contained in barbeque cylinders. Ferrellgas, L.P. has also received notice that the Federal Trade Commission is investigating barbeque cylinder labeling and filling practices and any anti-trust issues relating to cylinder fill level. Ferrellgas, L.P. already paid and reflected in the condensed consolidated financial statements the settlement reached.

Ferrellgas, L.P. has also been named as a defendant in a putative class action lawsuit filed in the United States District Court in Kansas. The complaint was the subject of a motion to dismiss which was granted, in part, in August 2011. The surviving claims allege breach of contract and breach of the implied duty of good faith and fair dealing, both of which allegedly arise from the existence of an oral contract for continuous propane service. Ferrellgas, L.P. believes the claims are without merit and intends to defend them vigorously. The case, which has not been certified for class treatment, is currently on appeal before the Tenth Circuit Court of Appeals following the denial of a motion to arbitrate the individual plaintiff's claim. Ferrellgas, L.P. does not believe loss is probable or reasonably estimable at this time related to this putative class action lawsuit.

K. Subsequent events

Ferrellgas, L.P. 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 require recognition or disclosure in its condensed consolidated financial statements.

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FERRELLGAS FINANCE CORP.
(a wholly-owned subsidiary of Ferrellgas, L.P.)
CONDENSED BALANCE SHEETS
(unaudited)

	January 31, 2014	July 31, 2013
ASSETS		
Cash	\$ 1,100	\$ 1,100
Total assets	\$ 1,100	\$ 1,100
Contingencies and commitments (Note B)		
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	48,710	43,870
Accumulated deficit	(48,610)	) (43,770)
Total stockholder's equity	\$ 1,100	\$ 1,100
See notes to condensed financial statements.		

FERRELLGAS FINANCE CORP.
(a wholly-owned subsidiary of Ferrellgas, L.P.)
CONDENSED STATEMENTS OF EARNINGS
(unaudited)

	For the three months ended January 31,		For the six months ended January 31,	
	2014	2013	2014	2013
General and administrative expense	\$4,790	\$3,175	\$4,840	\$4,675
Net loss	\$(4,790) \$(3,175) \$(4,840) \$(4,675)
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

(unaudited)

	For the six months ended January 31,	
	2014	2013
Cash flows provided by (used in) operating activities:		
Net loss	\$(4,840	) \$(4,675
Cash used in operating activities	(4,840	) (4,675
Cash flows provided by (used in) financing activities:		
Capital contribution	4,840	4,675
Cash provided by financing activities	4,840	4,675
Net 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.		

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FERRELLGAS FINANCE CORP.

(a wholly-owned subsidiary of Ferrellgas, L.P.)

(unaudited)

NOTES TO CONDENSED FINANCIAL STATEMENTS

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 and has no employees.

B. Contingencies and commitments

During November 2013, the Partnership issued \$325.0 million in aggregate principal amount of 6.75% senior notes due 2022 with the proceeds used to fund the redemption of \$300.0 million of 9.125% fixed rate senior notes due October 1, 2017.

The Finance Corp. serves as co-issuer and co-obligor for the following debt securities of the Partnership:

- \$500.0 million, 6.50% senior notes due 2021;
- and
- \$325.0 million, 6.75% senior notes due 2022.

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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 and the operating partnership.

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 while Ferrellgas Finance Corp. serves as co-issuer and co-obligor for debt securities of the operating partnership. 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 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;

“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 the volume of refined fuel 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 to 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 27% of our outstanding common units. Ferrell Companies is owned 100% by an employee stock ownership trust.

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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 "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 \$182.0 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 2014 and 2013.

Overview

We believe 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 we are the second largest retail marketer of propane in the United States as measured by the volume of our retail sales in fiscal 2013 and the largest national provider of propane by portable tank exchange.

We serve 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. Sales from propane distribution are generated principally from 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. Sales from portable tank exchanges, nationally branded under the name Blue Rhino, are generated through a network of independent and partnership-owned distribution outlets. Our market areas for our residential and agricultural customers are generally rural while our market areas for our industrial/commercial and portable tank exchange customers are 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 exchange sales volumes provide 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,

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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 define “normal” temperatures based on 30 year historical 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 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 strong correlation between weather and customer usage, general economic conditions in the United States and the wholesale price of propane can have a significant impact on this correlation. Additionally, there is a natural time lag between the onset of cold weather and increased sales to customers. If the United States were to experience a cooling trend, we could expect nationwide demand for propane to increase which could lead to greater sales, income and liquidity availability. Conversely, if the United States were to experience a warming trend, we could expect nationwide demand for propane to decrease which could lead to a reduction in our sales, income and liquidity availability. For the quarter ended January 31, 2014, weather in the more highly concentrated geographic areas we serve was 18% colder than that of the prior year and 6% colder than normal.

Our gross margin from the retail distribution of propane is primarily based on the cents-per-gallon difference between the sales prices 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, including inflation, 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. Propane prices continued to be volatile in fiscal 2014 as evidenced by increases in the average wholesale market prices at major supply points in Mt. Belvieu, Texas and Conway, Kansas. During the six months ended January 31, 2014, the average wholesale market price was 34% more than the prior year period at Mt. Belvieu, Texas and 69% more than the prior year period at Conway, Kansas. We believe the sustained higher average wholesale prices during the six months ended January 31, 2014 have negatively impacted our propane sales volume as we have passed price increases on to our customers.

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 economically hedged with an offsetting propane purchase commitment. Moreover, customers may not fulfill their purchase agreement due to the effects of warmer than normal weather, customer conservation or economic conditions.

Our open financial derivative purchase commitments are designated as hedges primarily for fiscal 2014 through 2016 sales commitments and, as of January 31, 2014, have experienced net mark to market gains of approximately \$14.3 million. Because these financial derivative purchase commitments qualify for hedge accounting treatment, the

resulting asset, liability and related mark to market gains or losses are recorded on the condensed consolidated balance sheets as "Prepaid expenses and other current assets," "Other assets, net," "Other current liabilities," "Other 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 as the underlying inventory is sold. These financial derivative purchase commitment net gains are expected to be offset by decreased margins on propane sales commitments that qualify for the normal purchase normal sale exception. At January 31, 2014, we estimate 70% of currently open financial derivative purchase commitments, the related propane sales commitments and the resulting gross margin will be realized into earnings during the next twelve months.

We enter into interest rate derivative contracts, including swaps, to manage our exposure to interest rate risk associated with our fixed rate senior notes and our floating rate borrowings from both the secured credit facility and the accounts receivable securitization facility. Fluctuations in interest rates subject us to interest rate risk. Decreases in interest rates increase the fair value of our fixed rate debt, while increases in interest rates subject us to the risk of increased interest expense related to our variable rate borrowings.

Our business strategy is to:

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- 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.

“Net earnings attributable to Ferrellgas Partners, L.P.” in the six months ended January 31, 2014 was \$35.6 million compared to \$40.5 million in the prior year period. This decrease was primarily due to:

- a \$21.2 million loss on extinguishment of debt related to the early extinguishment of all of our \$300.0 million 9.125% fixed rate senior notes due October 1, 2017 and related interest rate swap termination;
- an \$18.7 million increase in “operating expenses” due primarily to the increase in propane sales volume; and
- a \$7.0 million increase in “general and administrative expenses”;

partially offset by the following:

- a \$32.9 million increase in “Gross margin – Propane and other gas liquid sales” due primarily to the increase in propane sales volume;
- a \$4.2 million increase in “Gross margin – Other”;
- and
- a \$3.2 million decrease in “Non-cash employee stock ownership plan compensation charge” due to a decrease in the allocation of Ferrell Companies shares to employees.

We completed our last annual goodwill impairment test on January 31, 2014. We are not aware of any indicators of impairment.

Forward-looking Statements

This report includes 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 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. Undue reliance should not be put 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.

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;
- 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 expectations that in fiscal 2014 propane gallons sold will be greater than in fiscal 2013 primarily due to colder than prior year winter weather; our expectations that "Total revenues" and "Cost of product sold-propane and other gas liquids sales" will increase in fiscal 2014 based upon the effect of the current increase in the wholesale price of propane; and our expectations that "Net earnings" in fiscal 2014 will approximate "Net earnings" in fiscal 2013 primarily due to our expectation that net earnings from the colder than prior year temperatures will offset the effect of losses from the restructuring of debt which occurred in November 2013.

When considering any forward-looking statement, keep in mind the risk factors set forth in "Item 1A. Risk Factors" of our Annual Report on Form 10-K for fiscal 2013. 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 to pay interest on the principal 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.

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Results of Operations

Three months ended January 31, 2014 compared to January 31, 2013

(amounts in thousands)	2014	2013	Favorable (Unfavorable) Variance		
Three months ended January 31, Propane sales volumes (gallons):					
Retail – Sales to End Users	246,929	221,796	25,133	11	%
Wholesale – Sales to Resellers	95,922	76,728	19,194	25	%
	342,851	298,524	44,327	15	%
Revenues -					
Propane and other gas liquids sales:					
Retail – Sales to End Users	\$545,670	\$402,144	\$143,526	36	%
Wholesale – Sales to Resellers	193,093	121,312	71,781	59	%
Other Gas Sales (a)	50,683	59,618	(8,935)	(15))%
	\$789,446	\$583,074	\$206,372	35	%
Gross margin -					
Propane and other gas liquids sales: (b)					
Retail – Sales to End Users (a)	\$187,081	\$172,207	\$14,874	9	%
Wholesale – Sales to Resellers (a)	50,859	34,631	16,228	47	%
	\$237,940	\$206,838	\$31,102	15	%
Gross margin - Other	\$31,528	\$28,354	\$3,174	11	%
Operating income	104,821	82,138	22,683	28	%
Adjusted EBITDA (c)	136,356	116,113	20,243	17	%
Interest expense	(22,090)	(22,619)	529	2	%
Interest expense - operating partnership	(18,047)	(18,576)	529	3	%
Loss on extinguishment of debt	(20,901)	—	(20,901)	NM	

NM - Not Meaningful

a) Gross margin from other gas sales is allocated to Gross margin Retail - Sales to End Users and Wholesale - Sales to Resellers based on the volumes of fixed-price sales commitments in each respective category.

b) Gross margin from propane and other gas liquids sales represents “Revenues - propane and other gas liquids sales” less “Cost of product sold – propane and other gas liquids sales” and does not include depreciation and amortization. Adjusted EBITDA is calculated as net earnings attributable to Ferrellgas Partners, L.P. plus income tax expense, interest expense, depreciation and amortization expense, loss on extinguishment of debt, non-cash employee stock ownership plan compensation charge, non-cash stock and unit-based compensation charge, loss on disposal of assets, other income, net, nonrecurring litigation accrual and related legal fees, and net earnings attributable to noncontrolling interest. Management believes the presentation of this measure is relevant and useful because it

c) 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. 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 January 31, 2014 and 2013, respectively:

(amounts in thousands)		
Three months ended January 31,	2014	2013
Net earnings attributable to Ferrellgas Partners, L.P.	\$60,464	\$58,207
Income tax expense	764	917
Interest expense	22,090	22,619
Depreciation and amortization expense	20,643	20,751
EBITDA	103,961	102,494
Loss on extinguishment of debt	20,901	—
Non-cash employee stock ownership plan compensation charge	3,636	7,447
Non-cash stock and unit-based compensation charge	5,919	3,120
Loss on disposal of assets	1,337	2,120
Other income, net	(57	) (241
Nonrecurring litigation accrual and related legal fees	—	537
Net earnings attributable to noncontrolling interest	659	636
Adjusted EBITDA	\$136,356	\$116,113

Propane sales volumes during the three months ended January 31, 2014 increased 15%, or 44.3 million gallons, from that of the prior year period due to 25.1 million of increased gallon sales to retail customers and 19.2 million of increased gallons to wholesale customers. Weather in the more highly concentrated geographic areas we serve for the three months ended January 31, 2014 was approximately 18% colder than that of the prior year period and 6% colder than normal. We believe retail and wholesale customer sales volume increased due to colder weather and heavier than normal propane use for crop drying during an unusually wet harvest season.

Our sales price per gallon correlates to the wholesale market price of propane. The wholesale market price at major supply points in Mt. Belvieu, Texas and Conway, Kansas during the three months ended January 31, 2014 averaged 54% and 105% more than the prior year period, respectively. The wholesale market price at Mt. Belvieu, Texas averaged \$1.29 and \$0.84 per gallon during the three months ended January 31, 2014 and 2013, respectively, while the wholesale market price at Conway, Kansas averaged \$1.58 and \$0.77 per gallon during the three months ended January 31, 2014 and 2013, respectively.

Revenues - Propane and other gas liquids sales

Retail sales increased \$143.5 million compared to the prior year period. This increase resulted primarily from a \$99.3 million increase in sales price per gallon and \$44.2 million of increased sales volumes, both as discussed above.

Wholesale sales increased \$71.8 million compared to the prior year period. This increase resulted primarily from \$46.2 million of increased sales price per gallon and \$25.6 million of increased sales volumes, both as discussed above.

Other gas sales decreased \$8.9 million compared to the prior year period primarily due to \$25.9 million of decreased sales volumes, partially offset by \$17.0 million of increased sales price per gallon.

Gross margin - Propane and other gas liquids sales

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Gross margin increased \$31.1 million primarily due to the 44.3 million increase in gallon sales resulting from a combination of a colder than prior year winter heating season and heavier than normal propane use for crop drying during an unusually wet harvest season. Gross margin for propane and other gas liquid sales calculated on a cents-per-gallon basis is unchanged from that of the prior year period.

Gross margin - other

Gross margin - other increased \$3.2 million primarily due to \$4.6 million of grilling tool and accessory sales gained through acquisitions.

Operating income

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Operating income increased \$22.7 million compared to the prior year period primarily due to a \$31.1 million increase in “Gross margin – Propane and other gas liquid sales”, as discussed above, a \$3.8 million decrease in "Non-cash employee stock ownership plan compensation charge" and a \$3.2 million increase in “Gross margin – Other,” as discussed above, partially offset by a \$12.1 million increase in “Operating expense” and a \$3.8 million increase in “General and administrative expense”.

"Non-cash employee stock ownership plan compensation charge" decreased primarily due to an additional allocation of Ferrell Companies shares to employees during the prior year that was not repeated in the current year. Operating expense increased primarily due to variable delivery costs related to the increase in propane sales volume and the timing of a \$3.7 million increase in performance based incentive expenses. “General and administrative expense” increased primarily due to the timing of a \$2.3 million increase in performance based incentive expenses and \$1.9 million of increased non-cash stock based compensation charges.

Adjusted EBITDA

Adjusted EBITDA increased \$20.2 million compared to the prior year period primarily due to \$31.1 million of increased “Gross margin – Propane and other gas liquid sales” and a \$3.2 million increase in “Gross margin – Other,” both as discussed above, partially offset by a \$11.1 million increase in “Operating expense” and a \$1.9 million increase in “General and administrative expense”.

"Operating expense" increased primarily due to variable delivery costs related to the increase in propane sales volume and the timing of a \$3.7 million increase in performance based incentive expenses. “General and administrative expense” increased primarily due to the timing of a \$2.3 million increase in performance based incentive expenses.

Loss on extinguishment of debt

During the three months ended January 31, 2014, we redeemed the outstanding principal amount on our \$300.0 million 9.125% fixed rate senior notes due October 1, 2017, incurring a loss on extinguishment of debt of \$20.9 million.

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Six months ended January 31, 2014 compared to January 31, 2013

(amounts in thousands)	2014	2013	Favorable (Unfavorable) Variance		
Six months ended January 31,					
Propane sales volumes (gallons):					
Retail – Sales to End Users	372,181	346,679	25,502	7	%
Wholesale – Sales to Resellers	161,701	131,283	30,418	23	%
	533,882	477,962	55,920	12	%
Revenues -					
Propane and other gas liquids sales:					
Retail – Sales to End Users	\$ 769,924	\$ 608,935	\$ 160,989	26	%
Wholesale – Sales to Resellers	318,240	224,057	94,183	42	%
Other Gas Sales (a)	83,505	85,363	(1,858	) (2)%
	\$ 1,171,669	\$ 918,355	\$ 253,314	28	%
Gross margin -					
Propane and other gas liquids sales: (b)					
Retail – Sales to End Users (a)	\$ 268,481	\$ 256,922	\$ 11,559	4	%
Wholesale – Sales to Resellers (a)	92,928	71,540	21,388	30	%
	\$ 361,409	\$ 328,462	\$ 32,947	10	%
Gross margin - Other	\$ 50,989	\$ 46,785	\$ 4,204	9	%
Operating income	101,892	86,422	15,470	18	%
Adjusted EBITDA (c)	162,798	147,725	15,073	10	%
Interest expense	(44,183	) (45,054	) 871	2	%
Interest expense - operating partnership	(36,096	) (36,970	) 874	2	%
Loss on extinguishment of debt	(21,202	) —	(21,202	) NM	

NM - Not Meaningful

- a) Gross margin from other gas sales is allocated to Gross margin Retail - Sales to End Users and Wholesale - Sales to Resellers based on the volumes of fixed-price sales commitments in each respective category.
- b) Gross margin from propane and other gas liquids sales represents “Revenues - propane and other gas liquids sales” less “Cost of product sold – propane and other gas liquids sales” and does not include depreciation and amortization. Adjusted EBITDA is calculated as net earnings attributable to Ferrellgas Partners, L.P. plus income tax expense, interest expense, depreciation and amortization expense, loss on extinguishment of debt, non-cash employee stock ownership plan compensation charge, non-cash stock and unit-based compensation charge, loss on disposal of assets, other income, net, nonrecurring litigation accrual and related legal fees, and net earnings attributable to noncontrolling interest. Management believes the presentation of this measure is relevant and useful because it
- c) 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. 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 six months ended January 31, 2014 and 2013, respectively:

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(amounts in thousands)

Six months ended January 31,	2014	2013
Net earnings attributable to Ferrellgas Partners, L.P.	\$ 35,621	\$ 40,549
Income tax expense	714	653
Interest expense	44,183	45,054
Depreciation and amortization expense	40,858	41,626
EBITDA	121,376	127,882
Loss on extinguishment of debt	21,202	—
Non-cash employee stock ownership plan compensation charge	6,679	9,849
Non-cash stock and unit-based compensation charge	10,350	6,212
Loss on disposal of assets	1,694	2,391
Other income, net	(273	) (332
Nonrecurring litigation accrual and related legal fees	1,325	1,225
Net earnings attributable to noncontrolling interest	445	498
Adjusted EBITDA	\$ 162,798	\$ 147,725

Propane sales volumes during the six months ended January 31, 2014 increased 12%, or 55.9 million gallons, from that of the prior year period due to 30.4 million of increased gallon sales to wholesale customers and 25.5 million of increased gallons to retail customers. Weather in the more highly concentrated geographic areas we serve for the six months ended January 31, 2014 was approximately 14% colder than that of the prior year period and 3% colder than normal. We believe retail and wholesale customer sales volume increased due to colder weather and heavier than normal propane use for crop drying during an unusually wet harvest season.

Our sales price per gallon correlates to the wholesale market price of propane. The wholesale market price at major supply points in Mt. Belvieu, Texas and Conway, Kansas during the six months ended January 31, 2014 averaged 34% and 69% more than the prior year period, respectively. The wholesale market price at Mt. Belvieu, Texas averaged \$1.19 and \$0.89 per gallon during the six months ended January 31, 2014 and 2013, respectively, while the wholesale market price at Conway, Kansas averaged \$1.32 and \$0.78 per gallon during the six months ended January 31, 2014 and 2013, respectively.

Revenues - Propane and other gas liquids sales

Retail sales increased \$161.0 million compared to the prior year period. This increase resulted primarily from a \$116.2 million increase in sales price per gallon and \$44.8 million of increased sales volumes, both as discussed above.

Wholesale sales increased \$94.2 million compared to the prior year period. This increase resulted primarily from \$58.4 million of increased sales price per gallon and \$35.8 million of increased sales volumes, both as discussed above.

Other gas sales decreased \$1.9 million compared to the prior year period primarily due to \$24.9 million of decreased sales volumes, offset by \$23.0 million of increased sales price per gallon.

Gross margin - Propane and other gas liquids sales

Gross margin increased \$32.9 million primarily due to the 55.9 million increase in gallon sales resulting from a combination of a colder than prior year winter heating season and heavier than normal propane use for crop drying during an unusually wet harvest season. Gross margin for propane and other gas liquid sales calculated on a cents-per-gallon basis declined slightly from that of the prior year period.

Gross margin - other

Gross margin - other increased \$4.2 million primarily due to \$5.2 million of grilling tool and accessory sales gained through acquisitions.

Operating income

Operating income increased \$15.5 million compared to the prior year period primarily due to \$32.9 million of increased "Gross margin – Propane and other gas liquid sales", a \$4.2 million increase in "Gross margin – Other," both as discussed above, and a \$3.2 million decrease in "Non-cash employee stock ownership plan compensation charge", partially offset by a \$18.7 million increase in "Operating expense" and a \$7.0 million increase in "General and administrative expense".

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"Non-cash employee stock ownership plan compensation charge" decreased primarily due to an additional allocation of Ferrell Companies shares to employees during the prior year that was not repeated in the current year. Operating expense increased primarily due to variable delivery costs related to the increase in propane sales volume and the timing of a \$2.0 million increase in performance based incentive expense. "General and administrative expense" increased primarily due to \$3.1 million of increased non-cash stock based compensation charges, the timing of a \$1.6 million increase in performance based incentive expenses and \$1.5 million in personnel and other corporate costs.

Adjusted EBITDA

Adjusted EBITDA increased \$15.1 million compared to the prior year period primarily due to \$32.9 million of increased "Gross margin – Propane and other gas liquid sales", a \$4.2 million increase in "Gross margin – Other," both as discussed above, partially offset by a \$17.7 million increase in "Operating expense" and a \$3.9 million increase in "General and administrative expense".

Operating expense increased primarily due to variable delivery costs related to the increase in propane sales volume and the timing of a \$2.0 million increase in performance based incentive expense. "General and administrative expense" increased primarily due to the timing of a \$1.6 million increase in performance based incentive expenses and \$1.5 million in personnel and other corporate costs.

Loss on extinguishment of debt

During the six months ended January 31, 2014, we redeemed the outstanding principal amount on our \$300.0 million 9.125% fixed rate senior notes due October 1, 2017, incurring a loss on extinguishment of debt of \$20.9 million. We incurred an additional \$0.3 million loss on extinguishment of debt related to the write-off of capitalized financing costs as a result of amending our secured credit facility.

Forward-looking statements

We expect propane gallons in fiscal 2014 will be greater than in fiscal 2013 primarily due to colder than prior year winter weather. We expect that "Total revenues" and "Cost of product sold-propane and other gas liquids sales" will increase in fiscal 2014 primarily based upon the effect of the current increase in the wholesale price of propane. We also expect that "Net earnings" in fiscal 2014 will approximate "Net earnings" in fiscal 2013 primarily due to our expectation that net earnings from the colder than prior year temperatures will offset the effect of losses from the restructuring of debt which occurred in November 2013.

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 and capital resources may be affected by our ability to access the capital markets or by unforeseen demands on cash, or other events beyond our control.

During November 2013, we issued \$325.0 million in aggregate principal amount of 6.75% senior notes due 2022 at an offering price equal to par. We received \$319.3 million of net proceeds after deducting underwriters' fees. We applied the net proceeds to redeem all of our \$300.0 million 9.125% fixed rate senior notes due October 1, 2017. We used the remaining proceeds to pay the related \$14.7 million make whole and consent payments, \$3.3 million in interest

payments and to reduce outstanding indebtedness under the secured credit facility. This redemption also resulted in \$6.0 million of non-cash write-offs of unamortized debt discount and related capitalized debt costs. The make whole and consent payments and the non-cash write-offs of unamortized debt discount and related capitalized debt costs are classified as loss on extinguishment of debt.

During October 2013, we executed an amendment to our secured credit facility. This amendment extended the maturity date to October 2018 and increased the size of the facility from \$400.0 million to \$500.0 million with no change to the size of the letter of credit sub-limit which remains at \$200.0 million.

For the twelve months ended January 31, 2014, our distributable cash flow was approximately 120% of the total cash distributions paid for that period compared to approximately 108% for the twelve months ended October 31, 2013. This increase is the result of an increase in adjusted EBITDA in the second quarter of fiscal 2014 as compared to the same period in fiscal 2013.

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Subject to meeting the financial tests discussed below and also subject to the risk factors identified in our Annual Report on Form 10-K for fiscal 2013 entitled, "Item 1A. Risk Factors," 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 may 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 from 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, customer retention and purchasing patterns 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.

A quarterly distribution of \$0.50 will be paid on March 17, 2014 to all common units that were outstanding on March 10, 2014. This represents the seventy-eighth consecutive minimum quarterly distribution paid to our common unitholders dating back to October 1994.

Our secured credit facility, publicly-held 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 secured credit and accounts receivable securitization facilities and limitations on the payment of distributions within our 8.625% senior notes due 2020.

As of January 31, 2014, we met all of our 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 our required quarterly financial tests and covenants in fiscal 2014. However, we may not meet the applicable financial tests in future quarters if we were to experience:

- significantly warmer than normal temperatures during the winter heating season;
- a more volatile energy commodity cost environment;
- an unexpected downturn in business operations;
- a change in customer retention or purchasing patterns due to economic or other 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 material 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 “Financing 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.

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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 February 28, 2014, these two registrants collectively had \$750.0 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 February 28, 2014, Ferrellgas Partners had \$225.8 million available under this shelf registration statement.

Operating Activities

Net cash used in operating activities was \$70.2 million for the six months ended January 31, 2014, compared to net cash provided by operating activities of \$48.9 million for the six months ended January 31, 2013. This decrease in cash provided by operating activities was primarily due to a \$120.1 million increase in working capital requirements partially offset by a \$0.8 million increase in cash flow from operations.

The increase in working capital requirements was primarily due to a \$110.7 million increase in accounts receivable resulting from the increase in the wholesale price of propane as well as the increase in demand for propane due to colder than prior year temperatures and heavier than normal propane use for crop drying during an unusually wet harvest season during the three months ended January 31, 2014, a \$16.1 million increase in inventory from the increase in the wholesale price of propane as well as the timing of inventory purchases, a \$13.1 million decrease in other current liabilities primarily due to the timing of payroll, a \$8.6 million increase in prepaid expenses and other current assets primarily due to the timing of deposits made toward the purchase of propane appliances and a \$3.7 million increase in accrued interest expense due to the timing of interest payments due. These increases in working capital requirements were partially offset by a \$32.2 million increase in accounts payable from the timing of purchases and disbursements.

The increase in cash flow from operations is primarily due to \$32.9 million of increased “Gross margin – Propane and other gas liquid sales”, a \$4.2 million increase in “Gross margin – Other,” each as discussed above and a \$3.2 million decrease in “Non-cash employee stock ownership plan compensation charge” due to a decrease in the allocation of Ferrell Companies shares to employees, partially offset by an \$18.7 million increase in “Operating expense”, a \$7.0 million increase in “General and administrative expense” and \$14.7 million of make whole and consent payments related to the early extinguishment of all of our \$300.0 million 9.125% fixed rate senior notes due October 1, 2017.

The operating partnership

Net cash used in operating activities was \$62.4 million for the six months ended January 31, 2014, compared to net cash provided by operating activities of \$56.8 million for the six months ended January 31, 2013. This decrease in cash provided by operating activities was primarily due to a \$119.9 million increase in working capital requirements partially offset by a \$0.5 million increase in cash flow from operations.

The increase in working capital requirements was primarily due to a \$110.7 million increase in accounts receivable resulting from the increase in the wholesale price of propane as well as the increase in demand for propane due to colder than prior year temperatures and heavier than normal propane use for crop drying during an unusually wet harvest season during the three months ended January 31, 2014, a \$16.1 million increase in inventory from the increase in the wholesale price of propane as well as the timing of inventory purchases, a \$12.9 million decrease in other current liabilities primarily due to the timing of payroll, a \$8.6 million increase in prepaid expenses and other

current assets primarily due to the timing of deposits made toward the purchase of propane appliances and a \$3.7 million increase in accrued interest expense due to the timing of interest payments due. These increases in working capital requirements were partially offset by a \$32.2 million increase in accounts payable from the timing of purchases and disbursements.

The increase in cash flow from operations is primarily due to \$32.9 million of increased "Gross margin – Propane and other gas liquid sales", a \$4.2 million increase in "Gross margin – Other," each as discussed above and a \$3.2 million decrease in "Non-cash employee stock ownership plan compensation charge" due to a decrease in the allocation of Ferrell Companies shares to employees, partially offset by a \$19.0 million increase in "Operating expense", a \$7.0 million increase in "General and administrative expense" and \$14.7 million of make whole and consent payments related to the early extinguishment of all of our \$300.0 million 9.125% fixed rate senior notes due October 1, 2017.

Investing Activities

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Net cash used in investing activities was \$25.6 million for the six months ended January 31, 2014, compared to net cash used in investing activities of \$22.3 million for the six months ended January 31, 2013. This increase in net cash used in investing activities is primarily due to a decrease of \$3.7 million in "Proceeds from sale of assets" resulting primarily from the one-time sale of underutilized assets during the prior year period that was not repeated during the current year period.

Financing Activities

Net cash provided by financing activities was \$107.8 million for the six months ended January 31, 2014, compared to net cash used in financing activities of \$23.0 million for the six months ended January 31, 2013. This increase in net cash provided by financing activities was primarily due to a \$117.0 million net increase in the short term portion of our secured credit facility and accounts receivable securitization facility borrowings, both of which are a result of the working capital requirements discussed in operating activities above and a \$21.2 million net increase in proceeds from long-term borrowings as discussed below. This increase was partially offset by \$7.5 million in "Cash paid for financing costs".

During November 2013, we issued \$325.0 million in aggregate principal amount of 6.75% senior notes due 2022 at an offering price equal to par. We received \$319.3 million of net proceeds after deducting underwriters' fees. We used the net proceeds to redeem all of our \$300.0 million 9.125% fixed rate senior notes due October 1, 2017. We used the remaining proceeds to pay the related \$14.7 million make whole and consent payments, \$3.3 million in interest payments and to reduce outstanding indebtedness under the secured credit facility. This redemption also resulted in \$6.0 million of non-cash write-offs of unamortized debt discount and related capitalized debt costs. The make whole and consent payments and the non-cash write-offs of unamortized debt discount and related capitalized debt costs are classified as loss on extinguishment of debt.

Distributions

Ferrellgas Partners paid a \$0.50 per unit quarterly distribution on all common units, as well as the related general partner distributions, totaling \$79.9 million during the six months ended January 31, 2014 in connection with the distributions declared for the three months ended July 31, 2013 and October 31, 2013. The quarterly distribution on all common units and the related general partner distribution for the three months ended January 31, 2014 of \$40.0 million are expected to be paid on March 17, 2014 to holders of record on March 10, 2014.

Secured credit facility

During October 2013, we executed an amendment to our secured credit facility. This amendment extended the maturity date to October 2018 and increased the size of the facility from \$400.0 million to \$500.0 million with no change to the size of the letter of credit sublimit which remains at \$200.0 million.

As of January 31, 2014, we had total borrowings outstanding under our secured credit facility of \$207.5 million, of which \$140.5 million was classified as long-term debt. Additionally, Ferrellgas had \$232.2 million and \$177.9 million of available borrowing capacity under our secured credit facility as of January 31, 2014 and January 31, 2013, respectively.

Borrowings outstanding at January 31, 2014 under the secured credit facility had a weighted average interest rate of 3.4%. All borrowings under the secured credit facility bear interest, at our 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 1.00%; plus a margin varying from

0.75% to 1.75%; or
for Eurodollar Rate Loans, the Eurodollar Rate, which is defined as the LIBOR Rate plus a margin varying from
1.75% to 2.75%.

As of January 31, 2014, the federal funds rate and Bank of America's prime rate were 0.07% and 3.25%, respectively.
As of January 31, 2014, the one-month and three-month Eurodollar Rates were 0.19% and 0.26%, respectively.

In addition, an annual commitment fee is payable at a per annum rate ranging from 0.35% to 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 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)

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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 January 31, 2014 totaled \$60.3 million and were used primarily to secure insurance arrangements and, to a lesser extent, product purchases. At January 31, 2014, we had remaining letter of credit capacity of \$139.7 million.

All standby letter of credit commitments under our secured credit facility bear a per annum rate varying from 1.75% to 2.75% (as of January 31, 2014, the rate was 2.50%) 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.

Accounts receivable securitization

Ferrellgas Receivables is accounted for as a consolidated subsidiary. Expenses associated with accounts receivable securitization transactions are recorded in "Interest expense" in the consolidated statements of earnings. Additionally, borrowings and repayments associated with these transactions are recorded in "Cash flows from financing activities" in the consolidated statements of cash flows.

Cash flows from our accounts receivable securitization facility increased \$77.0 million. We received net funding of \$137.0 million from this facility during the six months ended January 31, 2014 as compared to receiving net funding of \$60.0 million from 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 secured credit facility. See additional discussion about the 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 securitize according to the facility agreement. As of January 31, 2014, we had received cash proceeds of \$219.0 million related to the securitization of our trade accounts receivable, with no remaining capacity to receive additional proceeds. As of January 31, 2014, the weighted average interest rate was 2.0%. 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.

Debt issuances and repayments

During November 2013, we issued \$325.0 million in aggregate principal amount of 6.75% senior notes due 2022 at an offering price equal to par. We received \$319.3 million of net proceeds after deducting underwriters' fees. We applied the net proceeds to redeem all of our \$300.0 million 9.125% fixed rate senior notes due October 1, 2017. We used the remaining proceeds to pay the related \$14.7 million make whole and consent payments, \$3.3 million in interest payments and to reduce outstanding indebtedness under the secured credit facility. This redemption also resulted in \$6.0 million of non-cash write-offs of unamortized debt discount and related capitalized debt costs. The make whole and consent payments and the non-cash write-offs of unamortized debt discount and related capitalized debt costs are classified as loss on extinguishment of debt.

The operating partnership

The financing activities discussed above also apply to the operating partnership except for cash flows related to distributions and contributions received, as discussed below.

Distributions

The operating partnership paid cash distributions of \$88.7 million and \$88.6 million during the six months ended January 31, 2014 and 2013, respectively. The operating partnership expects to pay cash distributions of \$40.4 million on March 17, 2014.

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 \$124.7 million for the six months ended January 31, 2014, 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 and severance costs.

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Related party common unitholder information consisted of the following:

	Common unit ownership at January 31, 2014	Distributions (in thousands) paid during the six months ended January 31, 2014
Ferrell Companies (1)	21,469,664	\$21,470
FCI Trading Corp. (2)	195,686	196
Ferrell Propane, Inc. (3)	51,204	52
James E. Ferrell (4)	4,358,475	4,358

(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 Chairman of the Board of Directors of our general partner.

During the six months ended January 31, 2014, Ferrellgas Partners and the operating partnership together paid the general partner distributions of \$1.7 million.

On March 17, 2014, Ferrellgas Partners expects to pay distributions to Ferrell Companies, FCI Trading Corp., Ferrell Propane, Inc., James E. Ferrell (indirectly) and the general partner of \$10.7 million, \$0.1 million, \$26 thousand, \$2.2 million and \$0.8 million, respectively.

Contractual Obligations

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

The following table summarizes our long-term debt and fixed rate interest obligations at January 31, 2014. These obligations reflect the issuance of \$325.0 million in aggregate principal amount of 6.75% senior notes due 2022 at an offering price equal to par and the subsequent redemption of \$300.0 million 9.125% fixed rate senior notes due October 1, 2017, as discussed above.

(in thousands)	Payment or settlement due by fiscal year						Total
	2014	2015	2016	2017	2018	Thereafter	
Long-term debt, including current portion (1)	\$795	\$3,053	\$2,997	\$2,676	\$1,074	\$1,148,872	\$1,159,467
Fixed rate interest obligations (2)	39,455	70,135	70,135	70,135	70,135	205,676	525,671

(1) We have long and short-term payment obligations under agreements such as our senior notes and our credit facility. Amounts shown in the table represent our scheduled future maturities of long-term debt (including current maturities thereof) for the periods indicated. For additional information regarding our debt obligations, please see "Liquidity and Capital Resources — Financing Activities."

(2) Fixed rate interest obligations represent the amount of interest due on fixed rate long-term debt. These amounts do not include interest on the long term portion of our credit facility, a variable rate debt obligation.

The operating partnership

The contractual obligation updates included in the table above also apply to the operating partnership and are summarized in the table below:

(in thousands)	Payment or settlement due by fiscal year						Total
	2014	2015	2016	2017	2018	Thereafter	
Long-term debt, including current portion (1)	\$795	\$3,053	\$2,997	\$2,676	\$1,074	\$966,872	\$977,467
Fixed rate interest obligations (2)	31,606	54,438	54,438	54,438	54,438	174,280	423,638

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- (1) The operating partnership has long and short-term payment obligations under agreements such as the operating partnership's senior notes and credit facility. Amounts shown in the table represent the operating partnership's scheduled future maturities of long-term debt (including current maturities thereof) for the periods indicated. For additional

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information regarding the operating partnership's debt obligations, please see "Liquidity and Capital Resources — Financing Activities."

(2) Fixed rate interest obligations represent the amount of interest due on fixed rate long-term debt. These amounts do not include interest on the long term portion of our credit facility, a variable rate debt obligation.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We did not enter into any risk management trading activities during the six months ended January 31, 2014. 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 on our financial statements until settled.

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 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 January 31, 2014 and July 31, 2013, 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 \$6.3 million and \$10.3 million as of January 31, 2014 and July 31, 2013, 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 does not include the anticipated transactions associated with these hedging transactions, which we anticipate will be 100% effective.

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 January 31, 2014, we had \$426.5 million in variable rate secured credit facility and collateralized note payable borrowings. Thus, assuming a one percent increase in our variable interest rate, our interest rate risk related to these borrowings would result in a loss in future earnings of \$4.3 million for the twelve months ending January 31, 2015. The preceding hypothetical analysis is limited because changes in interest rates may or may not equal one percent, thus actual results may differ. We manage a portion of our interest rate exposure by utilizing interest rate swaps. To the extent that we have debt with

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variable interest rates that is not hedged, our results of operations, cash flows and financial condition could be materially adversely affected by significant increases in interest rates. In October 2013, our interest rate swap maturing in 2017 was terminated. As a result, we discontinued hedge accounting treatment for the agreement associated with this swap at a cost of \$0.2 million.

We have the following interest rate swaps outstanding as of January 31, 2014, all of which are designated as hedges for accounting purposes:

Term	Notional Amount(s) (in thousands)	Type
May-21	\$140,000	Pay a floating rate and receive a fixed rate of 6.50%
Aug-18 (1)	\$175,000 and \$100,000	Forward starting to pay a fixed rate of 1.95% and receive a floating rate

(1) These forward starting swaps have an effective date of August 2015 and a term of three years.

A hypothetical one percent change in interest rates would result in a net change in earnings of \$1.4 million for the twelve months ending January 31, 2015. There would be no effect on cash flows due to a hypothetical change in interest rates on the \$175.0 million swap because its forward start date is August 2015. 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 January 31, 2014, that our disclosure controls and procedures are effective in achieving that level of reasonable assurance.

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During the most recent fiscal quarter ended January 31, 2014, 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.

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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. Other than as discussed below, 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.

During the first quarter of fiscal 2014 we reached a settlement with the Offices of the District Attorneys of several counties in California relating to an investigation of labeling and filling practices relating to the amount of propane contained in barbecue cylinders. We have also received notice that the Federal Trade Commission is investigating barbecue cylinder labeling and filling practices and any anti-trust issues relating to cylinder fill level. We already paid and reflected in the condensed consolidated financial statements the settlement reached.

We have also been named as a defendant in a putative class action lawsuit filed in the United States District Court in Kansas. The complaint was the subject of a motion to dismiss which was granted, in part, in August, 2011. The surviving claims allege breach of contract and breach of the implied duty of good faith and fair dealing, both of which allegedly arise from the existence of an oral contract for continuous propane service. We believe that the claims are without merit and intend to defend them vigorously. The case, which has not been certified for class treatment, is currently on appeal before the Tenth Circuit Court of Appeals following the denial of a motion to arbitrate the individual plaintiff's claim. We do not believe loss is probable or reasonably estimable at this time related to this putative class action lawsuit.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors set forth under Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for fiscal 2013.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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. adopted as of April 1, 1996. 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 November 4, 2013 with form of Note attached, among Ferrellgas, L.P., Ferrellgas Finance Corp. and U.S. Bank National Association, as trustee, relating to \$325 million aggregate amount of the Registrant's 6 3/4% Senior Notes due 2022. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed November 5, 2013.
4.3	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.
4.4	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.
4.5	Indenture dated as of November 24, 2010, among Ferrellgas, L.P., Ferrellgas Finance Corp. and U.S. Bank National Association, as trustee, relating to \$500 million aggregate amount of the Registrant's 6

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- 1/2% Senior Notes due 2021. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed November 30, 2010.
- 4.6 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.
- 4.7 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.
- 4.8 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.
- 4.9 Third Amendment to Registration Rights Agreement dated as of June 29, 2005, by and between Ferrellgas Partners, L.P. and JEF Capital Management, Inc. Incorporated by reference to Exhibit 4.13 to our Quarterly Report on Form 10-Q filed June 9, 2010.
- 4.10 Registration Rights Agreement dated as of November 4, 2013 by and among Ferrellgas, L.P., Ferrellgas Finance Corp. and the initial purchasers named therein. Incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K filed November 5, 2013.
- 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 First Amendment to Credit Agreement dated as of September 23, 2011, 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 10.2 to our Annual Report on Form 10-K filed September 26, 2011.
- 10.3 Second Amendment to Credit Agreement dated as of October 21, 2013, 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 October 23, 2013.
- 10.4 Amended and Restated Receivable Sale Agreement dated as of January 19, 2012, between Ferrellgas, L.P. and Blue Rhino Global Sourcing, Inc., as originators, and Ferrellgas Receivables, LLC, as buyer. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed January 20, 2012.
- 10.5 Receivables Purchase Agreement dated as of January 19, 2012, among Ferrellgas Receivables, LLC, as seller, Ferrellgas, L.P., as servicer, the purchasers from time to time party hereto, Fifth Third Bank and SunTrust Bank, 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 January 20, 2012.

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10.6	First Amendment to Receivables Purchase Agreement dated as of April 30, 2012, among Ferrellgas Receivables, LLC, as seller, Ferrellgas, L.P., as servicer, the purchasers from time to time party hereto, Fifth Third Bank and SunTrust Bank, as co-agents, and Wells Fargo Bank, N.A., as administrative agent. Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed June 8, 2012.
# 10.7	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.
# 10.8	Second Amended and Restated Ferrellgas Unit Option Plan, effective April 19, 2001. Incorporated by reference to Exhibit 10.5 to our Annual Report on Form 10-K filed September 28, 2010.
# 10.9	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.
# 10.10	Amendment to Ferrell Companies, Inc. 1998 Incentive Compensation Plan, dated as of March 7, 2010. Incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q filed June 9, 2010.
# 10.11	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.
# 10.12	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 10.10 to our Quarterly Report on Form 10-Q filed December 9, 2011.
# 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 Tod Brown as the executive. Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed August 10, 2009.
# 10.16	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.
# 10.17	Agreement and Release dated as of January 19, 2012 by and between Ferrellgas, Inc. as the company and George L. Koloroutis as the executive. Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed January 20, 2012.
# 10.18	Employment Agreement dated as of September 25, 2013 by and between Ferrell Companies, Inc. as the company and Boyd H. McGathey as the executive. Incorporated by reference to Exhibit 10.17 to our Annual Report on Form 10-K filed September 26, 2013.
10.19	ISDA 2002 Master Agreement and Schedule to the 2002 ISDA Master Agreement both dated as of May 3, 2012 together with three Confirmation of Swap Transaction documents each dated as of May 8, 2012, all between SunTrust Bank and Ferrellgas, L.P. Incorporated by reference to Exhibit 10.17 to our Quarterly Report on Form 10-Q filed June 8, 2012.
# 10.20	Form of Director/Officer Indemnification Agreement, by and between Ferrellgas, Inc. and each director and executive officer. Incorporated by reference to Exhibit 10.16 to our Quarterly Report on Form 10-Q filed March 9, 2012.

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- 16.1 Deloitte & Touche LLP letter regarding change in certifying accountant. Incorporated by reference to Exhibit 16.1 to our Current Report on Form 8-K filed September 7, 2012.
- * 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.
- * 101.INS XBRL Instance Document.
- * 101.SCH XBRL Taxonomy Extension Schema Document.
- * 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- * 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- * 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- * 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

- * Filed herewith
- # Management contracts or compensatory plans.

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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: March 10, 2014

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

FERRELLGAS PARTNERS FINANCE CORP.

Date: March 10, 2014

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

FERRELLGAS, L.P.
By Ferrellgas, Inc. (General Partner)

Date: March 10, 2014

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

FERRELLGAS FINANCE CORP.

Date: March 10, 2014

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