FERRELLGAS PARTNERS L P
Form 10-Q
December 09, 2015
Table of Contents

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

Form 10-Q

x	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the quarterly period ended October 31, 2015
or	
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the transition period from to

Commission file numbers: 001-11331, 333-06693, 000-50182 and 000-50183
Ferrellgas Partners, L.P.
Ferrellgas Partners Finance Corp.
Ferrellgas, L.P.
Ferrellgas Finance Corp.
(Exact name of registrants as specified in their charters)

Delaware	43-1698480
Delaware	43-1742520
Delaware	43-1698481
Delaware	14-1866671
(States or other jurisdictions of incorporation or organization)	(I.R.S. Employer Identification Nos.)

7500 College Boulevard, Suite 1000, Overland Park, Kansas	66210
(Address of principal executive office)	(Zip Code)

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

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Ferrellgas Partners, L.P.:

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

		(do not check if a smaller reporting company)	

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

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

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).
Ferrellgas Partners, L.P. and Ferrellgas, L.P. Yes ¨ No x
Ferrellgas Partners Finance Corp. and Ferrellgas Finance Corp. Yes x No ¨

At December 1, 2015, the registrants had common units or shares of common stock outstanding as follows:

Ferrellgas Partners, L.P.	97,991,065	Common Units
Ferrellgas Partners Finance Corp.	1,000	Common Stock
Ferrellgas, L.P.	n/a	n/a
Ferrellgas Finance Corp.	1,000	Common Stock

Documents Incorporated by Reference: None

1

Table of Contents

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

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

TABLE OF CONTENTS

Table of Contents

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (unaudited)

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)
(unaudited)

	October 31, 2015	July 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$8,892	$7,652
Accounts and notes receivable, net (including $113,792 and $123,791 of accounts receivable pledged as collateral at October 31, 2015 and July 31, 2015, respectively)	178,678	196,918
Inventories	96,079	96,754
Prepaid expenses and other current assets	57,556	64,285
Total current assets	341,205	365,609
Property, plant and equipment, net	941,283	965,217
Goodwill, net	459,615	478,747
Intangible assets (net of accumulated amortization of $386,828 and $375,119 at October 31, 2015 and July 31, 2015, respectively)	562,326	580,043
Assets held for sale	8,840	—
Other assets, net	72,917	74,440
Total assets	$2,386,186	$2,464,056
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	$63,553	$83,974
Short-term borrowings	95,391	75,319
Collateralized note payable	68,000	70,000
Other current liabilities	200,964	180,687
Total current liabilities	427,908	409,980
Long-term debt	1,823,182	1,804,392
Other liabilities	38,458	41,975
Contingencies and commitments (Note L)		
Partners' capital:		
Common unitholders (100,376,789 units outstanding at October 31, 2015 and July 31, 2015, respectively)	182,403	299,730
General partner unitholder (1,013,907 units outstanding at October 31, 2015 and July 31, 2015, respectively)	(58,228)	(57,042)
Accumulated other comprehensive loss	(30,411)	(38,934)
Total Ferrellgas Partners, L.P. partners' capital	93,764	203,754

Noncontrolling interest	2,874	3,955
Total partners' capital	96,638	207,709
Total liabilities and partners' capital	$2,386,186	$2,464,056

See notes to condensed consolidated financial statements.

4

Table of Contents

i
FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except unit data)
(unaudited)

	For the three months ended October 31, 2015	2014
Revenues:		
Propane and other gas liquids sales	$245,301	$394,361
Midstream operations	193,670	7,916
Other	32,175	41,078
Total revenues	471,146	443,355
Costs and expenses:		
Cost of sales - propane and other gas liquids sales	121,751	264,814
Cost of sales - midstream operations	153,604	1,968
Cost of sales - other	14,448	21,892
Operating expense	116,199	106,428
Depreciation and amortization expense	36,979	23,309
General and administrative expense	19,144	23,395
Equipment lease expense	7,032	5,532
Non-cash employee stock ownership plan compensation charge	5,256	4,374
Goodwill impairment	29,316	—
Loss on disposal of assets and other	14,917	961
Operating loss	(47,500)	(9,318)
Interest expense	(33,788)	(23,912)
Other expense, net	(122)	(449)
Loss before income taxes	(81,410)	(33,679)
Income tax benefit	(844)	(510)
Net loss	(80,566)	(33,169)
Net loss attributable to noncontrolling interest	(773)	(294)
Net loss attributable to Ferrellgas Partners, L.P.	(79,793)	(32,875)
Less: General partner's interest in net loss	(798)	(329)
Common unitholders' interest in net loss	$(78,995)	$(32,546)
Basic and diluted net loss per common unitholders' interest	$(0.79)	$(0.40)
Cash distributions declared per common unit	$0.5125	$0.50

See notes to condensed consolidated financial statements.

Table of Contents

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	For the three months ended October 31, 2015	2014
Net loss	$(80,566)	$(33,169)
Other comprehensive income (loss):		
Change in value of risk management derivatives	384	(13,897)
Reclassification of gains and (losses) on derivatives to earnings, net	8,226	(1,128)
Foreign currency translation adjustment	—	(2)
Other comprehensive income (loss)	8,610	(15,027)
Comprehensive loss	(71,956)	(48,196)
Less: Comprehensive loss attributable to noncontrolling interest	(686)	(448)
Comprehensive loss attributable to Ferrellgas Partners, LP	$(71,270)	$(47,748)

See notes to condensed consolidated financial statements.

Table of Contents

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(in thousands)
(unaudited)

	Number of units							
	Common unitholders	General partner unitholder	Common unitholders	General partner unitholder	Accumulated other comprehensive loss	Total Ferrellgas Partners, L.P. partners' capital	Non-controlling interest	Total partners' capital
Balance at July 31, 2015	100,376.8	1,014.0	$299,730	$(57,042)	$(38,934)	$203,754	$3,955	$207,709
Contributions in connection with non-cash ESOP and stock-based compensation charges	—	—	13,111	132	—	13,243	135	13,378
Distributions	—	—	(51,443)	(520)	—	(51,963)	(530)	(52,493)
Net loss	—	—	(78,995)	(798)	—	(79,793)	(773)	(80,566)
Other comprehensive income	—	—	—	—	8,523	8,523	87	8,610
Balance at October 31, 2015	100,376.8	1,014.0	$182,403	$(58,228)	$(30,411)	$93,764	$2,874	$96,638

See notes to condensed consolidated financial statements.

Table of Contents

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For the three months ended October 31, 2015	2014
Cash flows from operating activities:		
Net loss	$(80,566)	$(33,169)
Reconciliation of net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	36,979	23,309
Non-cash employee stock ownership plan compensation charge	5,256	4,374
Non-cash stock-based compensation charge	8,122	16,112
Goodwill impairment	29,316	—
Loss on disposal of assets and other	14,917	961
Change in fair value of contingent consideration	(100)	(1,800)
Provision for doubtful accounts	952	967
Deferred income tax expense	280	216
Other	1,409	864
Changes in operating assets and liabilities, net of effects from business acquisitions:		
Accounts and notes receivable, net of securitization	9,484	(2,873)
Inventories	675	(31,589)
Prepaid expenses and other current assets	5,997	(17,142)
Accounts payable	(20,139)	5,141
Accrued interest expense	28,600	20,070
Other current liabilities	(3,468)	(2,068)
Other assets and liabilities	3,134	(2,779)
Net cash provided by (used in) operating activities	40,848	(19,406)
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	—	(68,655)
Capital expenditures	(25,607)	(17,562)
Proceeds from sale of assets	3,575	1,417
Other	(14)	—
Net cash used in investing activities	(22,046)	(84,800)
Cash flows from financing activities:		
Distributions	(51,963)	(41,774)
Proceeds from issuance of long-term debt	21,321	83,044
Payments on long-term debt	(4,380)	(44,388)
Net additions to short-term borrowings	20,072	52,711
Net additions to (reductions in) collateralized short-term borrowings	(2,000)	14,000
Cash paid for financing costs	(142)	(182)
Noncontrolling interest activity	(500)	5
Proceeds from equity offering, (net of issuance costs of $0 and $52 for the three months ended October 31, 2015 and 2014, respectively)	—	41,948
Cash contribution from general partner in connection with common unit issuances	30	424
Net cash provided by (used in) financing activities	(17,562)	105,788

Effect of exchange rate changes on cash	—	(2)
Net change in cash and cash equivalents	1,240	1,580
Cash and cash equivalents - beginning of period	7,652	8,289
Cash and cash equivalents - end of period	$8,892	$9,869

See notes to condensed consolidated financial statements.

Table of Contents

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per unit data, unless otherwise designated)
(unaudited)

A. Partnership organization and formation

Ferrellgas Partners, L.P. (“Ferrellgas Partners”) was formed April 19, 1994, and is a publicly traded limited partnership, owning an approximate 99% limited partner interest in Ferrellgas, L.P. (the "operating partnership"). Ferrellgas Partners and the operating partnership, collectively referred to as “Ferrellgas,” are both Delaware limited partnerships and are governed by their respective partnership agreements. Ferrellgas Partners was formed to acquire and hold a limited partner interest in the operating partnership. As of October 31, 2015, Ferrell Companies, Inc. ("Ferrell Companies") beneficially owns 22.8 million Ferrellgas Partners common units. Ferrellgas, Inc. (the "general partner"), a wholly-owned subsidiary of Ferrell Companies, has retained a 1% general partner interest in Ferrellgas Partners and also holds an approximate 1% general partner interest in the operating partnership, representing an effective 2% general partner interest in Ferrellgas on a combined basis. As general partner, it performs all management functions required by Ferrellgas. Creditors of the operating partnership have no recourse with regards to Ferrellgas Partners.

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

Ferrellgas is engaged in the following reportable business segment activities:

- Propane and related equipment sales consists of the distribution of propane and related equipment and supplies. The propane distribution market is seasonal because propane is used primarily for heating in residential and commercial buildings. Ferrellgas serves residential, industrial/commercial, portable tank exchange, agricultural, wholesale and other customers in all 50 states, the District of Columbia, and Puerto Rico.
- Midstream operations consists of two reportable operating segments: crude oil logistics and water solutions. The crude oil logistics segment ("Bridger") generates income by providing crude oil transportation and logistics services on behalf of producers and end-users of crude oil. Bridger's services include transportation through its operation of a fleet of trucks and tank trailers and railcars primarily servicing Texas, Lousiana, North Dakota, Pennsylvania, Colorado and Wyoming; pipeline services in North Dakota, Montana, Wyoming, New Mexico, Mississippi, Oklahoma and Texas; and crude oil purchase and sale in connection with pipeline management services. The salt water disposal wells within the water solutions segment are located in the Eagle Ford shale region of south Texas and are a critical component of the oil and natural gas well drilling industry. Oil and natural gas wells generate significant volumes of salt water. In the oil and gas fields Ferrellgas services, these volumes of water are transported by truck away from the fields to salt water disposal wells where a combination of gravity and chemicals are used to separate crude oil from the salt water through a process that results in the collection of "skimming oil". This skimming oil is then captured and sold before the salt water is injected into underground geologic formations using high-pressure pumps.

Due to seasonality, the results of operations for the three months ended October 31, 2015 are not necessarily indicative of the results to be expected for a full fiscal year ending July 31, 2016.

The condensed consolidated financial statements of Ferrellgas reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the interim periods presented. All adjustments to the condensed consolidated financial statements were of a normal recurring nature. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with (i) the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and (ii) the consolidated financial statements and accompanying notes included in Ferrellgas' Annual Report on Form 10-K for fiscal 2015.

B. Summary of significant accounting policies

(1) Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Significant estimates impacting the condensed consolidated financial statements include accruals that have been established for contingent liabilities, pending claims and legal actions arising in the normal course of business, useful lives of property, plant and equipment assets, residual values of tanks, capitalization of customer tank installation costs, amortization methods of intangible assets, valuation methods used to value sales returns and allowances, allowance for doubtful accounts,

Table of Contents

fair value of reporting units, assumptions used to value business combinations, fair values of derivative contracts and stock based compensation calculations.

(2) Goodwill: Ferrellgas records goodwill as the excess of the cost of acquisitions over the fair value of the related net assets at the date of acquisition. Ferrellgas has determined that it has five reporting units for goodwill impairment testing purposes. Four of these reporting units contain goodwill that is subject to at least an annual assessment for impairment by applying a fair-value-based test. Under this test, the carrying value of each reporting unit is determined by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of the evaluation on a specific identification basis. To the extent a reporting unit’s carrying value exceeds its fair value, an indication exists that the reporting unit’s goodwill may be impaired and the second step of the impairment test must be performed. In the second step, the implied fair value of goodwill is determined by assigning the fair value of a reporting unit to all the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for that excess. During the three months ended October 31, 2015, Ferrellgas determined that the continued and prolonged decline in the price of crude oil constituted a triggering event for its Midstream operations - water solutions business that required an update to the goodwill impairment assessment as of October 31, 2015. See Note F – Goodwill and intangible assets, net – for further discussion of Ferrellgas' goodwill impairment assessment.

(3) Assets held for sale: Assets held for sale represent tractor trucks that have met the criteria of “held for sale” accounting. During the first quarter of fiscal 2016, Ferrellgas committed to a plan to sell certain trucks held by the Midstream operations - crude oil logistics segment. These assets were reclassified from "Vehicles, including transport trailers" to Assets held for sale in the accompanying balance sheet as of October 31, 2015. Ferrellgas ceased depreciation on these assets during October 2015.

(4) New accounting standards:

FASB Accounting Standard Update No. 2014-09
In May 2014, the Financial Accounting Standards Board, ("FASB") issued Accounting Standard Update ("ASU") 2014-09, Revenue from Contracts with Customers. The issuance is part of a joint effort by the FASB and the International Accounting Standards Board ("IASB") to enhance financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards ("IFRS") and, thereby, improving the consistency of requirements, comparability of practices and usefulness of disclosures. The new standard will supersede much of the existing authoritative literature for revenue recognition. The standard and related amendments will be effective for Ferrellgas for its annual reporting period beginning August 1, 2018, including interim periods within that reporting period. Early application is not permitted. Entities are allowed to transition to the new standard by either recasting prior periods or recognizing the cumulative effect. Ferrellgas is currently evaluating the newly issued guidance, including which transition approach will be applied and the estimated impact it will have on the consolidated financial statements.

FASB Accounting Standard Update No. 2014-08
In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, to change the criteria for determining which disposals can be presented as discontinued operations and enhanced the related disclosure requirements. ASU 2014-08 is effective for us on a prospective basis in Ferrellgas' first quarter of fiscal 2016 with early adoption permitted for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. The adoption of ASU 2014-08 in Ferrellgas' first quarter of fiscal 2016 did not have a material impact on the consolidated financial statements.

FASB Accounting Standard Update No. 2015-02

In February 2015, the FASB issued ASU 2015-02, Consolidation: Amendments to the Consolidation Analysis, which provides additional guidance on the consolidation of limited partnerships and on the evaluation of variable interest entities. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. Ferrellgas is currently evaluating the impact of our pending adoption of ASU 2015-02 on the consolidated financial statements.

FASB Accounting Standard Update No. 2015-03
In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying value of the debt liability. ASU 2015-03 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted, and retrospective application required. Ferrellgas is currently evaluating the impact of our pending adoption of ASU 2015-03 on the consolidated financial statements.

FASB Accounting Standard Update No. 2015-06

Table of Contents

In September 2015, the FASB issued ASU 2015-06, Business Combinations (Topic 805) - Simplifying the Accounting for Measurement-Period Adjustments, which requires all entities to record the effects on earnings, if any, of changes in provisional amounts for items in a business combination in the same period in which the adjustment amounts are determined. The requirement to retrospectively account for the adjustments is eliminated by this amendment. ASU 2015-06 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. Ferrellgas is currently evaluating the impact of our pending adoption of ASU 2015-06 on the consolidated financial statements.

(5) Supplemental cash flow information: For purposes of the condensed consolidated statements of cash flows, Ferrellgas considers cash equivalents to include all highly liquid debt instruments purchased with an original maturity of three months or less. Certain cash flow and significant non-cash activities are presented below:

	For the three months ended October 31,	
	2015	2014
CASH PAID FOR:		
Interest	$3,780	$2,978
Income taxes	$—	$260
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Change in accruals for property, plant and equipment additions	$1,727	$1,857

C. Business combinations

Ferrellgas records the assets acquired and liabilities assumed in a business combination at their acquisition date fair values. An entity is allowed a reasonable period of time (not to exceed one year) to obtain the information necessary to identify and measure the fair values of the assets acquired and liabilities assumed in a business combination. The Bridger acquisition, which occurred during the year ended July 31, 2015, is still within this measurement period, and as a result, the acquisition date fair values Ferrellgas recorded for the assets acquired and liabilities assumed are subject to change. Also Ferrellgas made certain adjustments during the three months ended October 31, 2015 to its estimates of the acquisition date fair values of the Bridger assets acquired and liabilities assumed.

On June 24, 2015, Ferrellgas acquired Bridger and formed a new midstream operations - crude oil logistics segment based near Dallas, Texas. Ferrellgas paid $560.0 million of cash, net of cash acquired and issued $260.0 million of Ferrellgas Partners common units to the seller, along with $2.5 million of other seller costs and consideration for an aggregate value of $822.5 million. The purchase agreement for the Bridger acquisition contemplates post-closing payments for certain working capital items. Ferrellgas is in the process of identifying and determining the fair values of the assets acquired and liabilities assumed in this business combination, and as a result, the estimates of fair value at October 31, 2015 remain subject to change to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Ferrellgas is currently determining the appropriate value of working capital acquired with the former owners of Bridger. Ferrellgas has preliminarily estimated the fair values of the assets acquired and liabilities assumed as follows:

	Estimated At October 31, 2015 (as adjusted)	July 31, 2015 (as initially reported)	Measuring period adjustments
Working capital	$(5,890)	$1,783	$(7,673)
Transportation equipment	293,491	293,491	—
Injection stations and pipelines	41,632	41,632	—
Goodwill	203,495	193,311	10,184

Customer relationships	259,300	261,811	(2,511)
Non-compete agreements	14,800	14,800	—
Trade names & trademarks	5,800	5,800	—
Office equipment	7,449	7,449	—
Other	2,375	2,375	—
Aggregate fair value of net assets acquired	$822,452	$822,452	$—

Table of Contents

Pro forma results of operations (unaudited):

The following summarized unaudited pro forma consolidated statement of earnings information assumes that the acquisition of Bridger during fiscal 2015 occurred as of August 1, 2014. These unaudited pro forma results are for comparative purposes only and may not be indicative of the results that would have occurred had this acquisition been completed on August 1, 2014 or the results that would be attained in the future.

	For the three months ended October 31, 2014
Revenue	$528,611
Net loss	(36,519)
Net loss per common unitholders' interest	$(0.42)

The unaudited pro forma consolidated data presented above has also been prepared as if the following transactions had been completed on August 1, 2014:

- the issuance of senior secured notes in June 2015;
- the sale of common units in June 2015 in a public offering; and
- the issuance of common units to the seller in June 2015.

D. Supplemental financial statement information

Inventories consist of the following:

	October 31, 2015	July 31, 2015
Propane gas and related products	$68,420	$68,731
Appliances, parts and supplies	27,659	28,023
Inventories	$96,079	$96,754

In addition to inventories on hand, Ferrellgas enters into contracts primarily to buy propane for supply procurement purposes with terms up to 36 months. Most of these contracts call for payment based on market prices at the date of delivery. As of October 31, 2015, Ferrellgas had committed, for supply procurement purposes, to take delivery of approximately 99.7 million gallons of propane at fixed prices.

Property, plant and equipment, net consist of the following:

Table of Contents

	Estimated Useful Lives	October 31, 2015	July 31, 2015
Land	Indefinite	$34,359	$34,389
Land improvements	2-20	13,329	13,249
Building and improvements	20	71,748	71,923
Vehicles, including transport trailers	8-20	202,139	228,646
Bulk equipment and district facilities	5-30	110,833	111,657
Tanks, cylinders and customer equipment	2-30	771,569	772,904
Salt water disposal wells and related equipment	2-23	44,969	38,460
Rail cars	30	150,392	150,235
Injection stations	20	38,562	37,619
Pipeline	15	4,074	4,074
Computer and office equipment	2-5	120,896	123,386
Construction in progress	n/a	21,665	16,841
		1,584,535	1,603,383
Less: accumulated depreciation		643,252	638,166
Property, plant and equipment, net		$941,283	$965,217

Other current liabilities consist of the following:

	October 31, 2015	July 31, 2015
Accrued interest	$45,881	$17,281
Accrued payroll	17,643	17,485
Customer deposits and advances	38,602	28,792
Price risk management liabilities	27,639	31,450
Other	71,199	85,679
Other current liabilities	$200,964	$180,687

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

	For the three months ended October 31,	
	2015	2014
Operating expense	$40,535	$45,790
Depreciation and amortization expense	1,115	1,449
Equipment lease expense	6,429	4,866
	$48,079	$52,105

During the three month period ended October 31, 2015, Ferrellgas committed to a plan to dispose of certain assets in its Midstream operations - crude oil logistics segment. As of October 31, 2015, this plan resulted in 69 tractor trucks sold and 136 tractor trucks reclassified from "Vehicles, including transport trailers" to Assets held for sale. For the three months ended October 31, 2015, Loss on disposal of assets and other includes a loss of $1.3 million related to the sale of these trucks and $12.1 million related to the write-down of these trucks classified as Assets held for sale. Loss on disposal of assets and other consists of:

	For the three months ended October 31,	
	2015	2014
Loss on assets held for sale	$12,112	$—
Loss on sale of assets held for sale	1,259	—
Loss on sale of assets	1,546	961
Loss on disposal of assets and other	$14,917	$961

13

Table of Contents

E. Accounts and notes receivable, net and accounts receivable securitization

Accounts and notes receivable, net consist of the following:

	October 31, 2015	July 31, 2015
Accounts receivable pledged as collateral	$113,792	$123,791
Accounts receivable	70,893	77,636
Other	509	307
Less: Allowance for doubtful accounts	(6,516)	(4,816)
Accounts and notes receivable, net	$178,678	$196,918

At October 31, 2015, $113.8 million of trade accounts receivable were pledged as collateral against $68.0 million of collateralized notes payable due to the commercial paper conduit. At July 31, 2015, $123.8 million of trade accounts receivable were pledged as collateral against $70.0 million of collateralized notes payable due to the commercial paper conduit. These accounts receivable pledged as collateral are bankruptcy remote from the operating partnership. The operating partnership does not provide any guarantee or similar support to the collectability of these accounts receivable pledged as collateral.

As of October 31, 2015, the operating partnership had received cash proceeds of $68.0 million from trade accounts receivables securitized, with no remaining capacity to receive additional proceeds. As of July 31, 2015, the operating partnership had received cash proceeds of $70.0 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 2.7% and 2.3% as of October 31, 2015 and July 31, 2015, respectively.

F. Goodwill and intangible assets, net

Ferrellgas records goodwill as the excess of the cost of acquisitions over the fair value of the related net assets at the date of acquisition.

Ferrellgas tests goodwill for impairment annually during the second quarter or more frequently if events or changes in circumstances indicate that it is more likely than not the fair value of a reporting unit is less than the carrying value. During the three months ended October 31, 2015, Ferrellgas determined that the continued and prolonged decline in the price of crude oil constituted a triggering event for its Midstream operations - water solutions business that required an update to the goodwill impairment assessment as of October 31, 2015.

The first step of this test primarily consists of a discounted future cash flow model to predict fair value. The result of this first step is based on the following critical assumptions: (1) the NYMEX West Texas Intermediate (“WTI”) crude oil curve was used to estimate future oil prices; (2) the oil skimming rate was expected to increase or decrease consistent with the projected increases/decreases in the NYMEX WTI crude oil curve consistent with past history; and (3) certain organic growth projects were projected to increase the salt water volumes processed as new drilling activity increases associated with the projected NYMEX WTI crude oil curve. As noted in our discussion of this reporting unit in Ferrellgas' Annual Report on Form 10-K for the year ended July 31, 2015, Ferrellgas believes that the results of this business are closely tied to the price of WTI crude oil. The daily average closing price for WTI crude oil for the three months ended July 31, 2015 of $56.63 decreased 20.7% to $44.90 during the three months ended October 31, 2015. Additionally, the projected NYMEX WTI crude oil curve decreased approximately 6.5% from August 31, 2015 to October 31, 2015. These events have led to an overall decline in drilling activity and volumes in the Eagle Ford shale region of Texas. These market changes, in addition to previous declines noted during fiscal year 2015, negatively affected Ferrellgas' current period results and future projections sufficiently to indicate that the fair value of the reporting unit likely no longer exceeded its carrying value.

In the second step, the implied fair value of goodwill is determined by assigning the fair value of a reporting unit to all the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for that excess.

As of October 31, 2015, Ferrellgas performed the first step of the goodwill impairment test for the Midstream operations - water solutions reporting unit and determined that the carrying value of the reporting unit exceeded the fair value. Ferrellgas then completed the second step of the goodwill impairment analysis comparing the implied fair value of the reporting unit to the carrying amount of goodwill and determined that goodwill was completely impaired and has written off the entire $29.3 million of goodwill related to this reporting unit.

Table of Contents

Changes in the carrying amount of goodwill, by reportable segment, are as follows:

	Propane and related equipment sales	Midstream operations - water solutions	Midstream operations - crude oil logistics	Total
Balance at July 31, 2015	$256,120	$29,316	$193,311	$478,747
Acquisitions	—	—	—	—
Revisions to acquisition accounting	—	—	10,184	10,184
Impairment	—	(29,316)	—	(29,316)
Balance at October 31, 2015	$256,120	$—	$203,495	$459,615

G. Debt

Short-term borrowings

Ferrellgas 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 October 31, 2015 and July 31, 2015, $95.4 million and $75.3 million, respectively, were classified as short-term borrowings. For further discussion see the secured credit facility section below.

Secured credit facility

As of October 31, 2015, Ferrellgas had total borrowings outstanding under its secured credit facility of $250.2 million, of which $154.8 million was classified as long-term debt. As of July 31, 2015, Ferrellgas had total borrowings outstanding under its secured credit facility of $211.4 million, of which $136.1 million was classified as long-term debt. Borrowings outstanding at October 31, 2015 and July 31, 2015 under the secured credit facility had weighted average interest rates of 3.3% and 3.5%, respectively.

The obligations under this credit facility are secured by substantially all assets of Ferrellgas, the general partner and certain subsidiaries of Ferrellgas but specifically excluding (a) assets that are subject to Ferrellgas' 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.

Letters of credit outstanding at October 31, 2015 totaled $71.5 million and were used primarily to secure insurance arrangements and, to a lesser extent, product purchases. Letters of credit outstanding at July 31, 2015 totaled $61.2 million and were used primarily to secure insurance arrangements and, to a lesser extent, product purchases. At October 31, 2015, Ferrellgas had remaining letter of credit capacity of $128.5 million. At July 31, 2015, Ferrellgas had remaining letter of credit capacity of $138.8 million.

Table of Contents

H. Partners' capital

Partnership distributions paid

Ferrellgas Partners has paid the following distributions:

	For the three months ended October 31,	
	2015	2014
Public common unitholders	$32,439	$27,788
Ferrell Companies (1)	11,546	11,265
FCI Trading Corp. (2)	100	98
Ferrell Propane, Inc. (3)	26	26
James E. Ferrell (4)	2,441	2,179
James H. Ballengee (5)	4,891	—
General partner	520	418
	$51,963	$41,774

(1) Ferrell Companies is the owner of the general partner and is an approximate 22.4% direct owner of Ferrellgas Partners' common units and thus a related party. Ferrell Companies also beneficially owns 195,686 and 51,204 common units of Ferrellgas Partners held by FCI Trading Corp. ("FCI Trading") and Ferrell Propane, Inc. ("Ferrell Propane"), respectively, bringing Ferrell Companies' beneficial ownership to 22.7% at October 31, 2015.
(2) FCI Trading is an affiliate of the general partner and thus a related party.
(3) Ferrell Propane is controlled by the general partner and thus a related party.
(4) James E. Ferrell is the Chairman of the Board of Directors of the general partner and thus a related party. JEF Capital Management owns 4,758,859 of these common units and is wholly-owned by the James E. Ferrell Revocable Trust Two for which James E. Ferrell is the trustee and sole beneficiary. The remaining 4,616 common units are held by Ferrell Resources Holding, Inc., which is wholly-owned by the James E. Ferrell Revocable Trust One, for which James E. Ferrell is the trustee and sole beneficiary.
(5) Jamex Marketing, LLC, is the unitholder of record of these common units. Jamex, LLC is the majority member of Jamex Marketing, LLC. Ballengee Interests, LLC is the majority member of Jamex, LLC. James H. Ballengee is the manager of each of Jamex, LLC, Jamex Marketing, LLC and Ballengee Interests, LLC. James Marketing, LLC and Bridger regularly conduct business in their normal operations, and is a related party.

On November 24, 2015, Ferrellgas Partners declared a cash distribution of $0.5125 per common unit for the three months ended October 31, 2015, which is expected to be paid on December 15, 2015. Included in this cash distribution are the following amounts to be paid to related parties:

Ferrell Companies	$11,546
FCI Trading Corp.	100
Ferrell Propane, Inc.	26
James E. Ferrell	2,441
James H. Ballengee	3,668
General Partner	507

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

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

See Note J – Derivative instruments and hedging activities – for details regarding changes in the fair value of risk management financial derivatives recorded within AOCI for the three months ended October 31, 2015 and 2014.

Table of Contents

General partner’s commitment to maintain its capital account

Ferrellgas’ partnership agreements allow the general partner to have an option to maintain its effective 2% general partner interest concurrent with the issuance of other additional equity.

During the three months ended October 31, 2015, the general partner made non-cash contributions of $0.3 million to Ferrellgas to maintain its effective 2% general partner interest.

During the three months ended October 31, 2014, the general partner made cash contributions of $0.9 million and non-cash contributions of $0.4 million to Ferrellgas to maintain its effective 2% general partner interest.

I. Fair value measurements

Derivative financial instruments, assets held for sale, goodwill impairment and contingent consideration

The following table presents Ferrellgas’ 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 October 31, 2015 and July 31, 2015:

	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
October 31, 2015:				
Assets:				
Derivative financial instruments:				
Interest rate swap agreements	$—	$2,427	$—	$2,427
Commodity derivatives	$—	$3,577	$—	$3,577
Liabilities:				
Derivative financial instruments:				
Interest rate swap agreements	$—	$(4,220)	$—	$(4,220)
Commodity derivatives	$—	$(33,301)	$—	$(33,301)
July 31, 2015:				
Assets:				
Derivative financial instruments:				
Interest rate swap agreements	$—	$1,828	$—	$1,828
Commodity derivatives	$—	$4,655	$—	$4,655
Liabilities:				
Derivative financial instruments:				
Interest rate swap agreements	$—	$(4,748)	$—	$(4,748)
Commodity derivatives	$—	$(42,375)	$—	$(42,375)
Contingent consideration	$—	$—	$(100)	$(100)

Table of Contents

Ferrellgas also measures the fair value of certain assets on a non-recurring basis when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Non-financial assets such as property, equipment, land, goodwill and intangible assets are also subject to non-recurring fair value measurements if they are deemed to be impaired. The impairment models used for non-financial assets depend on the type of asset. When the carrying amount of these assets no longer exceeds the fair value, an assessment of the fair value of the reporting unit's assets is prepared to determine the fair value of goodwill and indefinite lived intangible assets.
As discussed in Note D - Supplemental financial statement information, during the three month period ended October 31, 2015, Ferrellgas committed to a plan to dispose of certain assets in its Midstream operations - crude oil logistics segment. Ferrellgas measures long-lived assets held for sale at the lower of carrying amount or estimated fair value. Ferrellgas recorded a loss on disposal of assets and other of $12.1 million during the three months ended October 31, 2015 to reduce the carrying amount of the property to its estimated fair value less estimated costs to sell.
During the three months ended October 31, 2015, Ferrellgas determined that the continued and prolonged decline in the price of crude oil constituted a triggering event for its Midstream operations - water solutions business that required an update to the goodwill impairment assessment as of October 31, 2015. See Note F – Goodwill and intangible assets, net – for further discussion of Ferrellgas' goodwill impairment assessment.
Upon completing the second step of an impairment test as of October 31, 2015 for the Midstream operations - water solutions reporting unit, Ferrellgas determined that goodwill was impaired and has written off the entire $29.3 million of goodwill related to this reporting unit.
The following table presents fair value measurements of certain assets on a non-recurring basis as of October 31, 2015:

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total	Total gains (losses)
Assets held for sale	$—	$—	$ 8,840	$ 8,840	$ (12,112)
Goodwill impairment for Midstream operations - water solutions segment					$ (29,316)

The following is a reconciliation of the opening and closing balances for the liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended October 31, 2015:

	Contingent consideration liability	
Balance at July 31, 2015	$ 100	
Increase in fair value related to accretion	—	
Change in fair value included in earnings	(100	)
Balance at October 31, 2015	$ —	

Methodology

The fair values of Ferrellgas’ 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. The fair value of the trucks classified as assets held for sale represents Ferrellgas' estimate of expected sales price less costs to sell. The fair value measurements used to determine this value of the assets held for sale were based on a market approach utilizing prices from prior transactions and third party pricing information.

Other financial instruments

The carrying amounts of other financial instruments included in current assets and current liabilities (except for current maturities of long-term debt) approximate their fair values because of their short-term nature. At October 31, 2015 and July 31, 2015, the estimated fair value of Ferrellgas' long-term debt instruments was $1,805.7 million and $1,889.8 million, respectively. Ferrellgas estimates the fair value of long-term debt based on quoted market prices. The fair value of our consolidated debt obligations is a Level 2 valuation based on the observable inputs used for similar liabilities.

Table of Contents

Ferrellgas has other financial instruments such as trade accounts receivable which could expose it to concentrations of credit risk. The credit risk from trade accounts receivable is limited because of a large customer base which extends across many different U.S. markets.

J. Derivative instruments and hedging activities

Ferrellgas 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 utilizes derivative instruments to manage its exposure to fluctuations in commodity prices. Of these, the propane commodity derivative instruments are designated as cash flow hedges. All other commodity derivative instruments do not qualify or are not designated as cash flow hedges, therefore, the change in their fair value are recorded currently in earnings. Ferrellgas also periodically utilizes derivative instruments to manage its exposure to fluctuations in interest rates.

Derivative instruments and hedging activity

During the three months ended October 31, 2015 and 2014, Ferrellgas did not recognize any gain or loss in earnings related to hedge ineffectiveness and did not exclude any component.

The following tables provide a summary of the fair value of derivatives in Ferrellgas' condensed consolidated balance sheets as of October 31, 2015 and July 31, 2015:

Table of Contents

	October 31, 2015			
	Asset Derivatives		Liability Derivatives	
Derivative Instrument	Location	Fair value	Location	Fair value
Derivatives designated as hedging instruments				
Commodity derivatives-propane	Prepaid expenses and other current assets	$3,155	Other current liabilities	$23,000
Commodity derivatives-propane	Other assets, net	422	Other liabilities	6,851
Interest rate swap agreements	Prepaid expenses and other current assets	1,836	Other current liabilities	2,470
Interest rate swap agreements	Other assets, net	591	Other liabilities	1,750
Derivatives not designated as hedging instruments				
Commodity derivatives-vehicle fuel	Prepaid expenses and other current assets	—	Other current liabilities	2,169
Commodity derivatives-vehicle fuel	Other assets, net	—	Other liabilities	1,281
	Total	$6,004	Total	$37,521

	July 31, 2015			
	Asset Derivatives		Liability Derivatives	
Derivative Instrument	Location	Fair value	Location	Fair value
Derivatives designated as hedging instruments				
Commodity derivatives-propane	Prepaid expenses and other current assets	$3,614	Other current liabilities	$27,929
Commodity derivatives-propane	Other assets, net	1,041	Other liabilities	12,034
Interest rate swap agreements	Prepaid expenses and other current assets	1,828	Other current liabilities	2,241
Interest rate swap agreements	Other assets, net	—	Other liabilities	2,507
Derivatives not designated as hedging instruments				
Commodity derivatives-vehicle fuel	Prepaid expenses and other current assets	—	Other current liabilities	1,280
Commodity derivatives-vehicle fuel	Other assets, net	—	Other liabilities	1,132
	Total	$6,483	Total	$47,123

Ferrellgas' exchange traded commodity derivative contracts require cash margin deposit as collateral for contracts that are in a negative mark-to-market position. These cash margin deposits will be returned if mark-to-market conditions improve or will be applied against cash settlement when the contracts are settled. The following tables provide a summary of cash margin deposit balances as of October 31, 2015 and July 31, 2015, respectively:

	October 31, 2015			
	Assets		Liabilities	
Description	Location	Amount	Location	Amount

Margin Deposits	Prepaid expenses and other current assets	$15,601	Other current liabilities	$10
	Other assets, net	8,896	Other liabilities	—
		$24,497		$10

20

Table of Contents

	July 31, 2015			
	Assets		Liabilities	
Description	Location	Amount	Location	Amount
Margin Deposits	Prepaid expenses and other current assets	$18,009	Other current liabilities	$15
	Other assets, net	11,786	Other liabilities	—
		$29,795		$15

The following tables provide a summary of the effect on Ferrellgas' condensed consolidated statements of earnings for the three months ended October 31, 2015 and 2014 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 October 31,		For the three months ended October 31,	
		2015	2014	2015	2014
Interest rate swap agreements	Interest expense	$537	$457	$(2,275)	$(2,275)

The following tables provide a summary of the effect on Ferrellgas’ condensed consolidated statements of comprehensive income for the three months ended October 31, 2015 and 2014 due to derivatives designated as cash flow hedging instruments:

	For the three months ended October 31, 2015			
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	
			Effective portion	Ineffective portion
Commodity derivatives	$1,585	Cost of sales-propane and other gas liquids sales	$(7,449)	$—
Interest rate swap agreements	(1,201)	Interest expense	(777)	—
	$384		$(8,226)	$—

	For the three months ended October 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	
			Effective portion	Ineffective portion
Commodity derivatives	$(12,758)	Cost of sales-propane and other gas liquids sales	$1,128	$—
Interest rate swap agreements	(1,139)	Interest expense	—	—
	$(13,897)		$1,128	$—

The following table provides a summary of the effect on Ferrellgas' condensed consolidated statements of earnings for the three months ended October 31, 2015 due to the change in fair value of derivatives not designated as hedging instruments:

Table of Contents

Derivatives Not Designated as Hedging Instruments	For the three months ended October 31, 2015 Amount of Gain (Loss) Recognized in Income	Location of Gain (Loss) Recognized in Income
Commodity derivatives	$(1,038)	Operating expense

Ferrellgas did not hold derivatives not designated as hedging instruments for the three months ended October 31, 2014.

The changes in derivatives included in AOCI for the three months ended October 31, 2015 and 2014 were as follows:

	For the three months ended October 31,	
Gains and losses on derivatives included in AOCI	2015	2014
Beginning balance	$(38,906)	$6,483
Change in value of risk management commodity derivatives	1,585	(12,758)
Reclassification of gains and losses on commodity hedges to cost of sales - propane and other gas liquids sales, net	7,449	(1,128)
Change in value of risk management interest rate derivatives	(1,201)	(1,139)
Reclassification of gains and losses on interest rate hedges to interest expense	$777	$—
Ending balance	$(30,296)	$(8,542)

Ferrellgas expects to reclassify net losses of approximately $19.8 million to earnings during the next 12 months. These net losses are expected to be offset by increased margins on propane sales commitments Ferrellgas has with its customers that qualify for the normal purchase normal sales exception.

During the three months ended October 31, 2015 and 2014, Ferrellgas 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 October 31, 2015, Ferrellgas had financial derivative contracts covering 2.8 million barrels of propane that were entered into as cash flow hedges of forward and forecasted purchases of propane.

As of October 31, 2015, Ferrellgas had financial derivative contracts covering 0.3 million barrels of diesel and 48 thousand barrels of unleaded gasoline related to fuel hedges in transportation of propane.

Derivative financial instruments credit risk

Ferrellgas is exposed to credit loss in the event of nonperformance by counterparties to derivative financial and commodity instruments. Ferrellgas' counterparties principally consist of major energy companies and major U.S. financial institutions. Ferrellgas 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 in the forms of letters of credit, parental guarantees or cash. Ferrellgas has concentrations of credit risk associated with derivative financial instruments held by certain derivative financial instrument counterparties. If these counterparties that make up the concentration failed to perform according to the terms of their contracts at October 31, 2015, the maximum amount of loss due to credit risk that, based upon the gross fair values of the derivative financial instruments, Ferrellgas would incur is zero.

Ferrellgas holds certain derivative contracts that have credit-risk-related contingent features which dictate credit limits based upon the Partnership’s debt rating. As of October 31, 2015, a downgrade in the Partnership's debt rating could trigger a reduction in credit limit and would result in an additional collateral requirement of $0.2 million. There were $0.2 million of derivatives with credit-risk-related contingent features in a liability position on October 31, 2015 and Ferrellgas had posted no collateral in the normal course of business related to such derivatives.

Table of Contents

K. Transactions with related parties

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

	For the three months ended October 31,	
	2015	2014
Operating expense	$56,010	$51,120
General and administrative expense	$7,093	$6,597

In connection with the closing of the Bridger Logistics acquisition, Ferrellgas issued common units to Bridger Marketing, LLC (now known as Jamex Marketing, LLC) and entered into a ten-year transportation and logistics agreement (the "TLA") with Jamex Marketing, LLC. As a result of that issuance, Jamex Marketing, LLC owned 9.5% of Ferrellgas Partners' limited partners' interest at October 31, 2015. Jamex Marketing, LLC, in connection with the TLA, enters into transactions with the operating partnership and its subsidiaries. Bridger provides crude oil logistics services for Jamex Marketing, LLC, including the transportation and storage of crude oil by truck, terminal and pipeline. During the three months ended October 31, 2015, Ferrellgas' total revenues and cost of sales from these transactions were $4.4 million and $0.6 million, respectively. There was no activity for the three months ended October 31, 2014. The amounts due from and due to Jamex Marketing, LLC at October 31, 2015, were $1.6 million and $0.3 million, respectively. The amounts due from and due to Jamex Marketing, LLC at July 31, 2015, were $4.8 million and $4.2 million, respectively.

See additional discussions about transactions with the general partner and related parties in Note H – Partners' capital and Note O - Subsequent events.

L. Contingencies and commitments

Litigation

Ferrellgas' operations are subject to all operating hazards and risks normally incidental to handling, storing, transporting and otherwise providing for use by consumers of combustible liquids such as propane and crude oil. As a result, at any given time, Ferrellgas 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 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.

Ferrellgas has also been named as a defendant, along with a competitor, in putative class action lawsuits filed in multiple jurisdictions. The complaints, filed on behalf of direct and indirect customers of Ferrellgas' tank exchange business, reference the FTC complaint mentioned above. The lawsuits allege that Ferrellgas and a competitor coordinated in 2008 to reduce the fill level in barbeque cylinders and combined to persuade a common customer to accept that fill reduction, resulting in increased cylinder costs to retailers and end-user customers in violation of federal and certain state antitrust laws. The lawsuits seek treble damages, attorneys' fees, injunctive relief and costs on behalf of the putative class. These lawsuits have been consolidated into one case by a multidistrict litigation panel. Ferrellgas believes it has strong defenses to the claims and intends to vigorously defend against the consolidated case. Ferrellgas does not believe loss is probable or reasonably estimable at this time related to the putative class action lawsuit.

In addition, putative class action cases have been filed in California relating to residual propane remaining in the tank after use. Ferrellgas believes it has strong defenses to the claims and intends to vigorously defend against the consolidated case. Ferrellgas does not believe loss is probable or reasonably estimable at this time related to the putative class action lawsuit.

M. Net loss per common unitholders' interest

Below is a calculation of the basic and diluted net loss per common unitholders' interest in the condensed consolidated statements of earnings for the periods indicated. Ferrellgas calculates net earnings (loss) per common unitholders' interest for each period presented according to distributions declared and participation rights in undistributed earnings, as if all of the

Table of Contents

earnings or loss for the period had been distributed according to the incentive distribution rights in our Partnership Agreement. Due to the seasonality of the propane business, the dilutive effect of the two-class method typically impacts only the three months ending January 31. In periods with undistributed earnings above certain levels, the calculation according to the two-class method results in an increased allocation of undistributed earnings to the general partner and a dilution of the earnings to the limited partners as follows:

	Ratio of total distributions payable to:	
Quarterly distribution per common unit	Common unitholder	General partner
$0.56 to $0.63	86.9 %	13.1 %
$0.64 to $0.82	76.8 %	23.2 %
$0.83 and above	51.5 %	48.5 %

There was no dilutive effect resulting from this guidance based on basic and diluted net earnings per common unitholders' interest for the three months ended October 31, 2015 or 2014.

In periods with net losses, the allocation of the net losses to the limited partners and the general partner will be determined based on the same allocation basis specified in Ferrellgas Partners' partnership agreement that would apply to periods in which there were no undistributed earnings. Additionally, there are no dilutive securities in periods with net losses.

	For the three months ended October 31,	
	2015	2014
	(in thousands, except per unitholders' interest amounts)	
Common unitholders' interest in net loss	$(78,995)	$(32,546)
Weighted average common units outstanding - basic	100,376.8	82,179.7
Dilutive securities	—	—
Weighted average common units outstanding - diluted	100,376.8	82,179.7
Basic and diluted net loss per common unitholders' interest	$(0.79)	$(0.40)

N. Segment reporting

Ferrellgas has two primary operations: propane and related equipment sales and midstream operations. These two operations result in three reportable operating segments: propane and related equipment sales, midstream operations - water solutions and midstream operations - crude oil logistics.

The chief operating decision maker evaluates the operating segments using an Adjusted EBITDA performance measure which is based on earnings before income tax benefit, interest expense, depreciation and amortization expense, non-cash employee stock ownership plan compensation charge, non-cash stock-based compensation charge, goodwill impairment, loss on disposal of assets and other, other expense (income), net, change in fair value of contingent consideration, severance costs, litigation accrual and related legal fees associated with a class action lawsuit, unrealized (non-cash) loss on changes in fair value of derivatives not designated as hedging instruments, acquisition and transition expenses and net loss attributable to non-controlling interest. This performance measure is not a GAAP measure, however, the components are computed using amounts that are determined in accordance with GAAP. A reconciliation of this performance measure to net earnings, which is its nearest comparable GAAP measure, is included in the tables below. In management's evaluation of performance, costs such as compensation for certain administrative staff and executive management, are not allocated by segment and, accordingly, the following reportable segment results do not include such unallocated costs. The accounting policies of the operating segments are otherwise the same as those described in the summary of significant accounting policies in Note B.

Assets reported within a segment are those assets that can be identified to a segment and primarily consist of trade receivables, property, plant and equipment, inventories, identifiable intangible assets and goodwill. Cash, certain prepaid assets and other assets are not allocated to segments. Although Ferrellgas can and does identify long-lived assets such as property, plant and equipment and identifiable intangible assets to reportable segments, Ferrellgas does not allocate the related depreciation and amortization to the segment as management evaluates segment performance exclusive of these non-cash charges.

Table of Contents

The propane and related equipment sales segment primarily includes 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.

The midstream operations - crude oil logistics segment primarily includes a domestic crude oil transportation and logistics provider with an integrated portfolio of midstream assets. These assets connect crude oil production in prolific unconventional resource plays to downstream markets. Bridger's truck, pipeline terminal, pipeline, rail and maritime assets form a comprehensive, fee-for-service business model, and substantially all of its cash flow is expected to be generated from fee-based commercial agreements. Bridger's fee-based business model generates income by providing crude oil transportation and logistics services on behalf of producers and end users of crude oil.

The midstream operations - water solutions segment primarily includes salt water disposal wells that are a critical component of the oil and natural gas well drilling industry. Oil and gas wells generate significant volumes of salt water known as "flowback" and "production" water. Flowback is a water based solution that flows back to the surface during and after the completion of the hydraulic fracturing ("fracking") process whereby large volumes of water, sand and chemicals are injected under high pressures into rock formations to stimulate production. Production water is salt water from underground formations that are brought to the surface during the normal course of oil or gas production. In the oil and gas fields Ferrellgas services, these volumes of water are transported by truck away from the fields to salt water disposal wells where it is injected into underground geologic formations using high-pressure pumps. Revenue is derived from fees charged to customers to dispose of salt water at the disposal facilities and crude oil sales from the skimming oil process.

Following is a summary of segment information for the three months ended October 31, 2015 and 2014.

	Three months ended October 31, 2015				
	Propane and related equipment sales	Midstream operations - Crude oil logistics	Midstream operations - Water Solutions	Corporate and other	Total
Segment revenues	$277,476	$189,373	$4,297	$—	$471,146
Direct costs (1)	241,877	164,570	4,776	11,024	422,247
Adjusted EBITDA	$35,599	$24,803	$(479)	$(11,024)	$48,899

	Three months ended October 31, 2014				
	Propane and related equipment sales	Midstream operations - Crude oil logistics	Midstream operations - Water Solutions	Corporate and other	Total
Segment revenues	$435,439	$—	$7,916	$—	$443,355
Direct costs (1)	393,805	—	4,733	10,456	408,994
Adjusted EBITDA	$41,634	$—	$3,183	$(10,456)	$34,361

(1) Direct costs are comprised of "cost of products sold-propane and other gas liquids sales", "cost of products sold-midstream operations", "cost of products sold-other", "operating expense", "general and administrative expense", and "equipment lease expense" less "non-cash stock-based compensation charge", "change in fair value of contingent

consideration", "severance charge", "litigation accrual and related legal fees associated with a class action lawsuit", "unrealized (non-cash) loss on changes in fair value of derivatives not designated as hedging instruments" and "acquisition and transition expenses".

Table of Contents

Following is a reconciliation of Ferrellgas' total segment performance measure to condensed consolidated net loss:

	Three months ended October 31,	
	2015	2014
Net loss attributable to Ferrellgas Partners, L.P.	$(79,793)	$(32,875)
Income tax benefit	(844)	(510)
Interest expense	33,788	23,912
Depreciation and amortization expense	36,979	23,309
EBITDA	(9,870)	13,836
Non-cash employee stock ownership plan compensation charge	5,256	4,374
Non-cash stock-based compensation charge	8,122	16,112
Goodwill impairment	29,316	—
Loss on disposal of assets and other	14,917	961
Other expense, net	122	449
Change in fair value of contingent consideration	(100)	(1,800)
Severance costs	856	—
Litigation accrual and related legal fees associated with a class action lawsuit	—	723
Unrealized (non-cash) loss on changes in fair value of derivatives not designated as hedging instruments	1,038	—
Acquisition and transition expenses	15	—
Net loss attributable to noncontrolling interest	(773)	(294)
Adjusted EBITDA	$48,899	$34,361

Following are total assets by segment:

Assets	October 31, 2015	July 31, 2015
Propane and related equipment sales	$1,287,582	$1,295,831
Midstream operations - crude oil logistics	879,286	917,325
Midstream operations - water logistics	178,236	205,358
Corporate and unallocated	41,082	45,542
Total consolidated assets	$2,386,186	$2,464,056

Table of Contents

Following are capital expenditures by segment:

	Three months ended October 31, 2015				
	Propane and related equipment sales	Midstream operations - Crude oil logistics	Midstream operations - Water Solutions	Corporate and other	Total
Capital expenditures:					
Maintenance	$ 5,898	$ —	$ 139	$ 145	$ 6,182
Growth	8,615	3,303	6,401	—	18,319
Total	$ 14,513	$ 3,303	$ 6,540	$ 145	$ 24,501

	Three months ended October 31, 2014				
	Propane and related equipment sales	Midstream operations - Crude oil logistics	Midstream operations - Water Solutions	Corporate and other	Total
Capital expenditures:					
Maintenance	$ 4,576	$ —	$ 176	$ 304	$ 5,056
Growth	11,069	—	857	—	11,926
Total	$ 15,645	$ —	$ 1,033	$ 304	$ 16,982

O. Subsequent events

Ferrellgas evaluated events and transactions occurring after the balance sheet date through the date Ferrellgas' condensed consolidated financial statements were issued and concluded that, other than as discussed below, there were no events or transactions occurring during this period that require recognition or disclosure in its condensed consolidated financial statements.
On November 13, 2015 Ferrellgas Partners, L.P repurchased approximately 2.4 million common units from Jamex Marketing, LLC, funded by approximately $45.9 million in proceeds from the secured credit facility.

Table of Contents

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

	October 31, 2015	July 31, 2015
ASSETS		
Cash	$1,000	$1,000
Total assets	$1,000	$1,000
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	17,535	17,485
Accumulated deficit	(17,535)	(17,485)
Total stockholder's equity	$1,000	$1,000

See notes to condensed financial statements.

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

	For the three months ended October 31,	
	2015	2014
General and administrative expense	$50	$150
Net loss	$(50)	$(150)

See notes to condensed financial statements.

Table of Contents

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

	For the three months ended October 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	$(50)	$(150)
Cash used in operating activities	(50)	(150)
Cash flows from financing activities:		
Capital contribution	50	90
Cash provided by financing activities	50	90
Net change in cash	—	(60)
Cash - beginning of period	1,000	969
Cash - end of period	$1,000	$909

See notes to condensed financial statements.

Table of Contents

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

NOTES TO CONDENSED FINANCIAL STATEMENTS

A. Formation

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

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

The Finance Corp. has nominal assets, does not conduct any operations and has no employees.

B. Contingencies and commitments

The Finance Corp. serves as co-issuer and co-obligor for the Partnership's $182.0 million, 8.625% senior notes due 2020.

Table of Contents

FERRELLGAS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	October 31, 2015	July 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$8,608	$5,600
Accounts and notes receivable, net (including $113,792 and $123,791 of accounts receivable pledged as collateral at October 31, 2015 and July 31, 2015, respectively)	178,678	196,918
Inventories	96,079	96,754
Prepaid expenses and other current assets	57,931	64,211
Total current assets	341,296	363,483
Property, plant and equipment, net	941,283	965,217
Goodwill, net	459,615	478,747
Intangible assets (net of accumulated amortization of $386,828 and $375,119 at October 31, 2015 and July 31, 2015, respectively)	562,326	580,043
Assets held for sale	8,840	—
Other assets, net	71,054	72,472
Total assets	$2,384,414	$2,459,962
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	$63,553	$83,974
Short-term borrowings	95,391	75,319
Collateralized note payable	68,000	70,000
Other current liabilities	195,029	176,176
Total current liabilities	421,973	405,469
Long-term debt	1,641,182	1,622,392
Other liabilities	38,458	41,975
Contingencies and commitments (Note L)		
Partners' capital:		
Limited partner	310,338	425,105
General partner	3,171	4,339
Accumulated other comprehensive loss	(30,708)	(39,318)
Total partners' capital	282,801	390,126
Total liabilities and partners' capital	$2,384,414	$2,459,962

See notes to condensed consolidated financial statements.

Table of Contents

FERRELLGAS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands)
(unaudited)

	For the three months ended October 31, 2015	2014
Revenues:		
Propane and other gas liquids sales	$245,301	$394,361
Midstream operations	193,670	7,916
Other	32,175	41,078
Total revenues	471,146	443,355
Costs and expenses:		
Cost of sales - propane and other gas liquids sales	121,751	264,814
Cost of sales - midstream operations	153,604	1,968
Cost of sales - other	14,448	21,892
Operating expense	116,199	106,431
Depreciation and amortization expense	36,979	23,309
General and administrative expense	19,144	23,395
Equipment lease expense	7,032	5,532
Non-cash employee stock ownership plan compensation charge	5,256	4,374
Goodwill impairment	29,316	—
Loss on disposal of assets and other	14,917	961
Operating loss	(47,500)	(9,321)
Interest expense	(29,758)	(19,878)
Other expense, net	(122)	(449)
Loss before income taxes	(77,380)	(29,648)
Income tax benefit	(844)	(511)
Net loss	$(76,536)	$(29,137)

See notes to condensed consolidated financial statements.

Table of Contents

FERRELLGAS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	For the three months ended October 31, 2015	2014
Net loss	$(76,536)	$(29,137)
Other comprehensive income (loss):		
Change in value of risk management derivatives	384	(13,897)
Reclassification of gains and (losses) on derivatives to earnings, net	8,226	(1,128)
Foreign currency translation adjustment	—	(2)
Other comprehensive income (loss)	8,610	(15,027)
Comprehensive loss	$(67,926)	$(44,164)

See notes to condensed consolidated financial statements.

Table of Contents

FERRELLGAS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(in thousands)
(unaudited)

	Limited partner	General partner	Accumulated other comprehensive loss	Total partners' capital
Balance at July 31, 2015	$425,105	$4,339	$(39,318)	$390,126
Contributions in connection with non-cash ESOP and stock-based compensation charges	13,243	135	—	13,378
Contributions in connection with acquisitions	(284)	—	—	(284)
Distributions	(51,963)	(530)	—	(52,493)
Net loss	(75,763)	(773)	—	(76,536)
Other comprehensive income		—	8,610	8,610
Balance at October 31, 2015	$310,338	$3,171	$(30,708)	$282,801

See notes to condensed consolidated financial statements.

FERRELLGAS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For the three months ended October 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	$(76,536)	$(29,137)
Reconciliation of net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	36,979	23,309
Non-cash employee stock ownership plan compensation charge	5,256	4,374
Non-cash stock-based compensation charge	8,122	16,112
Goodwill impairment	29,316	—
Loss on disposal of assets and other	14,917	961
Change in fair value of contingent consideration	(100)	(1,800)
Provision for doubtful accounts	952	967
Deferred income tax expense	280	216
Other	1,304	754
Changes in operating assets and liabilities, net of effects from business acquisitions:		
Accounts and notes receivable, net of securitization	9,200	(2,873)
Inventories	675	(31,589)
Prepaid expenses and other current assets	6,114	(17,090)
Accounts payable	(20,139)	5,141
Accrued interest expense	24,676	16,146
Other current liabilities	(1,504)	(2,069)
Other assets and liabilities	3,134	(2,778)
Net cash provided by (used in) operating activities	42,646	(19,356)
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	—	(68,655)
Capital expenditures	(25,607)	(17,562)
Proceeds from sale of assets	3,575	1,417
Other	(14)	—
Net cash used in investing activities	(22,046)	(84,800)
Cash flows from financing activities:		
Distributions	(52,493)	(42,200)
Contributions from partners	30	42,655
Proceeds from issuance of long-term debt	21,321	83,044
Payments on long-term debt	(4,380)	(44,388)
Net additions to short-term borrowings	20,072	52,711
Net additions to (reductions in) collateralized short-term borrowings	(2,000)	14,000
Cash paid for financing costs	(142)	(182)
Net cash provided by (used in) financing activities	(17,592)	105,640
Effect of exchange rate changes on cash	—	(2)
Net change in cash and cash equivalents	3,008	1,482

Cash and cash equivalents - beginning of period	5,600	8,283
Cash and cash equivalents - end of period	$8,608	$9,765

See notes to condensed consolidated financial statements.

Table of Contents

FERRELLGAS, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, unless otherwise designated)
(unaudited)

A. Partnership organization and formation

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

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

Ferrellgas, L.P. is engaged in the following reportable business segment activities:

- Propane and related equipment sales consists of the distribution of propane and related equipment and supplies. The propane distribution market is seasonal because propane is used primarily for heating in residential and commercial buildings. Ferrellgas, L.P. serves residential, industrial/commercial, portable tank exchange, agricultural, wholesale and other customers in all 50 states, the District of Columbia, and Puerto Rico.
- Midstream operations consists of two reportable operating segments: crude oil logistics and water solutions. The crude oil logistics segment ("Bridger") generates income by providing crude oil transportation and logistics services on behalf of producers and end-users of crude oil. Bridger's services include transportation through its operation of a fleet of trucks and tank trailers and railcars primarily servicing Texas, Lousiana, North Dakota, Pennsylvania, Colorado and Wyoming; pipeline services in North Dakota, Montana, Wyoming, New Mexico, Mississippi, Oklahoma and Texas; and crude oil purchase and sale in connection with pipeline management services. The salt water disposal wells within the water solutions segment are located in the Eagle Ford shale region of south Texas and are a critical component of the oil and natural gas well drilling industry. Oil and natural gas wells generate significant volumes of salt water. In the oil and gas fields Ferrellgas, L.P. services, these volumes of water are transported by truck away from the fields to salt water disposal wells where a combination of gravity and chemicals are used to separate crude oil from the salt water through a process that results in the collection of "skimming oil". This skimming oil is then captured and sold before the salt water is injected into underground geologic formations using high-pressure pumps.

Due to seasonality, the results of operations for the three months ended October 31, 2015 are not necessarily indicative of the results to be expected for a full fiscal year ending July 31, 2016.

The condensed consolidated financial statements of Ferrellgas, L.P. and subsidiaries reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the interim periods presented. All adjustments to the condensed consolidated financial statements were of a normal recurring nature. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with (i) the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and (ii) the consolidated financial statements and accompanying notes included in Ferrellgas, L.P.'s Annual Report on Form 10-K for fiscal 2015.

B. Summary of significant accounting policies

(1) Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Significant estimates impacting the condensed consolidated financial statements include accruals that have been established for contingent liabilities, pending claims and legal actions arising in the normal course of business, useful lives of property, plant and equipment, residual values of tanks, capitalization of customer tank installation costs, amortization methods of intangible assets, valuation methods used to value sales returns and allowances, valuation methods used to value intangibles and goodwill in business combinations, allowance for doubtful accounts, fair value of reporting units, fair value of derivative contracts, and stock based compensation calculations.

(2) Goodwill: Ferrellgas, L.P. records goodwill as the excess of the cost of acquisitions over the fair value of the related net assets at the date of acquisition. Ferrellgas, L.P. has determined that it has five reporting units for goodwill impairment testing purposes. Four of these reporting units contain goodwill that is subject to at least an annual assessment for impairment by applying a fair-value-based test. Under this test, the carrying value of each reporting unit is determined by assigning the assets

and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of the evaluation on a specific identification basis. To the extent a reporting unit's carrying value exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the second step of the impairment test must be performed. In the second step, the implied fair value of goodwill is determined by assigning the fair value of a reporting unit to all the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for that excess. During the three months ended October 31, 2015, Ferrellgas, L.P. determined that the continued and prolonged decline in the price of crude oil constituted a triggering event for its Midstream operations - water solutions business that required an update to the goodwill impairment assessment as of October 31, 2015. See Note F – Goodwill and intangible assets, net – for further discussion of Ferrellgas, L.P.'s Goodwill impairment assessment.

(3) Assets held for sale: Assets held for sale represent tractor trucks that have met the criteria of "held for sale" accounting. During the first quarter of fiscal 2016, Ferrellgas, L.P. committed to a plan to sell certain trucks held by the Midstream operations - crude oil logistics segment. These assets were reclassified from "Vehicles, including transport trailers" to assets held for sale in the accompanying balance sheet as of October 31, 2015. Ferrellgas, L.P. ceased depreciation on these assets during October 2015.

(4) New accounting standards:

FASB Accounting Standard Update No. 2014-09
In May 2014, the Financial Accounting Standards Board, ("FASB") issued Accounting Standard Update ("ASU") 2014-09, Revenue from Contracts with Customers. The issuance is part of a joint effort by the FASB and the International Accounting Standards Board ("IASB") to enhance financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards ("IFRS") and, thereby, improving the consistency of requirements, comparability of practices and usefulness of disclosures. The new standard will supersede much of the existing authoritative literature for revenue recognition. The standard and related amendments will be effective for Ferrellgas for its annual reporting period beginning August 1, 2018, including interim periods within that reporting period. Early application is not permitted. Entities are allowed to transition to the new standard by either recasting prior periods or recognizing the cumulative effect. Ferrellgas is currently evaluating the newly issued guidance, including which transition approach will be applied and the estimated impact it will have on the consolidated financial statements.

FASB Accounting Standard Update No. 2014-08
In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, to change the criteria for determining which disposals can be presented as discontinued operations and enhanced the related disclosure requirements. ASU 2014-08 is effective for us on a prospective basis in Ferrellgas' first quarter of fiscal 2016 with early adoption permitted for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. The adoption of ASU 2014-08 in Ferrellgas, L.P.'s first quarter of fiscal 2016 did not have a material impact on the consolidated financial statements.

FASB Accounting Standard Update No. 2015-02
In February 2015, the FASB issued ASU 2015-02, Consolidation: Amendments to the Consolidation Analysis, which provides additional guidance on the consolidation of limited partnerships and on the evaluation of variable interest entities. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted. Ferrellgas is currently evaluating the impact of our pending adoption of ASU 2015-02 on the consolidated financial statements.

FASB Accounting Standard Update No. 2015-03

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying value of the debt liability. ASU 2015-03 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted, and retrospective application required. Ferrellgas is currently evaluating the impact of our pending adoption of ASU 2015-03 on the consolidated financial statements.

FASB Accounting Standard Update No. 2015-06

In September 2015, the FASB issued ASU 2015-06, Business Combinations (Topic 805) - Simplifying the Accounting for Measurement-Period Adjustments, which requires all entities to record the effects on earnings, if any, of changes in provisional amounts for items in a business combination in the same period in which the adjustment amounts are determined. The requirement to retrospectively account for the adjustments is eliminated by this amendment. ASU 2015-06 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. Ferrellgas, L.P. is currently evaluating the impact of our pending adoption of ASU 2015-06 on the consolidated financial statements.

Table of Contents

(5) Supplemental cash flow information: For purposes of the condensed consolidated statements of cash flows, Ferrellgas, L.P. considers cash equivalents to include all highly liquid debt instruments purchased with an original maturity of three months or less. Certain cash flow and significant non-cash activities are presented below:

	For the three months ended October 31,	
	2015	2014
CASH PAID FOR:		
Interest	$3,779	$2,978
Income taxes	$—	$260
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Change in accruals for property, plant and equipment additions	$1,727	$1,857
Contributions in connection with acquisitions	$(284)	

C. Business combinations

Ferrellgas, L.P. records the assets acquired and liabilities assumed in a business combination at their acquisition date fair values. An entity is allowed a reasonable period of time (not to exceed one year) to obtain the information necessary to identify and measure the fair values of the assets acquired and liabilities assumed in a business combination. The Bridger acquisition, which occurred during the year ended July 31, 2015, is still within this measurement period, and as a result, the acquisition date fair values Ferrellgas, L.P. recorded for the assets acquired and liabilities assumed are subject to change. Also Ferrellgas, L.P. made certain adjustments during the three months ended October 31, 2015 to its estimates of the acquisition date fair values of the Bridger assets acquired and liabilities assumed.

On June 24, 2015, Ferrellgas Partners acquired Bridger and formed a new midstream operations - crude oil logistics segment based near Dallas, Texas. Ferrellgas paid $560.0 million of cash, net of cash acquired and issued $260.0 million of Ferrellgas Partners common units to the seller, along with $2.5 million of other seller costs and consideration for an aggregate value of $822.5 million. Ferrellgas Partners then contributed the Bridger assets and liabilities to Ferrellgas, L.P. The purchase agreement for the Bridger acquisition contemplates post-closing payments for certain working capital items. Ferrellgas, L.P. is in the process of identifying and determining the fair values of the assets acquired and liabilities assumed in this business combination, and as a result, the estimates of fair value at October 31, 2015 are subject to change. Ferrellgas, L.P. is currently determining the appropriate value of working capital acquired with the former owners of Bridger. Ferrellgas, L.P. has preliminarily estimated the fair values of the assets acquired and liabilities assumed as follows:

	Estimated At October 31, 2015 (as adjusted)	July 31, 2015 (as initially reported)	Measuring period adjustments
Working capital	$(5,890)	$1,783	$(7,673)
Transportation equipment	293,491	293,491	—
Injection stations and pipelines	41,632	41,632	—
Goodwill	203,495	193,311	10,184
Customer relationships	259,300	261,811	(2,511)
Non-compete agreements	14,800	14,800	—
Trade names & trademarks	5,800	5,800	—
Office equipment	7,449	7,449	—
Other	2,375	2,375	—
Aggregate fair value of net assets acquired	$822,452	$822,452	$—

Pro forma results of operations (unaudited):

The following summarized unaudited pro forma consolidated statement of earnings information assumes that the acquisition of Bridger during fiscal 2015 occurred as of August 1, 2014. These unaudited pro forma results are for comparative purposes only and may not be indicative of the results that would have occurred had this acquisition been completed on August 1, 2014 or the results that would be attained in the future.

Table of Contents

	For the three months ended October 31, 2014	
Revenue	$528,611	
Net loss	(32,487	)

The unaudited pro forma consolidated data presented above has also been prepared as if the following transaction had been completed on August 1, 2014:

- the issuance of senior secured notes in June 2015.

D. Supplemental financial statement information

Inventories consist of the following:

	October 31, 2015	July 31, 2015
Propane gas and related products	$68,420	$68,731
Appliances, parts and supplies	27,659	28,023
Inventories	$96,079	$96,754

In addition to inventories on hand, Ferrellgas, L.P. enters into contracts primarily to buy propane for supply procurement purposes with terms up to 36 months. Most of these contracts call for payment based on market prices at the date of delivery. As of October 31, 2015, Ferrellgas, L.P. had committed, for supply procurement purposes, to take delivery of approximately 51.0 million gallons of propane at fixed prices.

Property, plant and equipment, net consist of the following:

	Estimated useful lives	October 31, 2015	July 31, 2015
Land	Indefinite	$34,359	$34,389
Land improvements	2-20	13,329	13,249
Building and improvements	20	71,748	71,923
Vehicles, including transport trailers	8-20	202,139	228,646
Bulk equipment and district facilities	5-30	110,833	111,657
Tanks, cylinders and customer equipment	2-30	771,569	772,904
Salt water disposal wells and related equipment	2-23	44,969	38,460
Rail cars	30	150,392	150,235
Injection stations	20	38,562	37,619
Pipeline	15	4,074	4,074
Computer and office equipment	2-5	120,896	123,386
Construction in progress	n/a	21,665	16,841
		1,584,535	1,603,383
Less: accumulated depreciation		643,252	638,166
Property, plant and equipment, net		$941,283	$965,217

Table of Contents

Other current liabilities consist of the following:

	October 31, 2015	July 31, 2015
Accrued interest	$39,951	$15,275
Accrued payroll	17,643	17,485
Customer deposits and advances	38,602	28,792
Price risk management liabilities	27,639	31,450
Other	71,194	83,174
Other current liabilities	$195,029	$176,176

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

	For the three months ended October 31,	
	2015	2014
Operating expense	$40,535	$45,790
Depreciation and amortization expense	1,115	1,449
Equipment lease expense	6,429	4,866
	$48,079	$52,105

During the three month period ended October 31, 2015, Ferrellgas, L.P. committed to a plan to dispose of certain assets in its Midstream operations - crude oil logistics segment. As of October 31, 2015, this plan resulted in 69 tractor trucks sold and 136 tractor trucks reclassified from "Vehicles, including transport trailers" to Assets held for sale. For the three months ended October 31, 2015, Loss on disposal of assets and other includes a loss of $1.3 million related to the sale of these trucks and $12.1 million related to the write-down of these trucks classified as Assets held for sale. Loss on disposal of assets and other consists of:

	For the three months ended October 31,	
	2015	2014
Loss on assets held for sale	$12,112	$—
Loss on sale of assets held for sale	1,259	—
Loss on sale of assets	1,546	961
Loss on disposal of assets and other	$14,917	$961

E. Accounts and notes receivable, net and accounts receivable securitization

Accounts and notes receivable, net consist of the following:

	October 31, 2015	July 31, 2015
Accounts receivable pledged as collateral	$113,792	$123,791
Accounts receivable	70,893	77,636
Other	509	307
Less: Allowance for doubtful accounts	(6,516)	(4,816)
Accounts and notes receivable, net	$178,678	$196,918

At October 31, 2015, $113.8 million of trade accounts receivable were pledged as collateral against $68.0 million of collateralized notes payable due to a commercial paper conduit. At July 31, 2015, $123.8 million of trade accounts receivable were pledged as collateral against $70.0 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 October 31, 2015, Ferrellgas, L.P. had received cash proceeds of $68.0 million from trade accounts receivables securitized, with no remaining capacity to receive additional proceeds. As of July 31, 2015, Ferrellgas, L.P. had received cash proceeds of $70.0 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 2.7% and 2.3% as of October 31, 2015 and July 31, 2015, respectively.

Table of Contents

F. Goodwill and intangible assets, net

Ferrellgas, L.P. records goodwill as the excess of the cost of acquisitions over the fair value of the related net assets at the date of acquisition.

Ferrellgas, L.P. tests goodwill for impairment annually during the second quarter or more frequently if events or changes in circumstances indicate that it is more likely than not the fair value of a reporting unit is less than the carrying value. During the three months ended October 31, 2015, Ferrellgas, L.P. determined that the continued and prolonged decline in the price of crude oil constituted a triggering event for its Midstream operations - water solutions business that required an update to the goodwill impairment assessment as of October 31, 2015.

The first step of this test primarily consists of a discounted future cash flow model to predict fair value. The result of this first step is based on the following critical assumptions: (1) the NYMEX West Texas Intermediate ("WTI") crude oil curve was used to estimate future oil prices; (2) the oil skimming rate was expected to increase or decrease consistent with the projected increases/decreases in the NYMEX WTI crude oil curve consistent with past history; and (3) certain organic growth projects were projected to increase the salt water volumes processed as new drilling activity increases associated with the projected NYMEX WTI crude oil curve. As noted in our discussion of this reporting unit in Ferrellgas, L.P.'s Annual Report on Form 10-K for the year ended July 31, 2015, Ferrellgas, L.P. believes that the results of this business are closely tied to the price of WTI crude oil. The daily average closing price for WTI crude oil for the three months ended July 31, 2015 of $56.63 decreased 20.7% to $44.90 during the three months ended October 31, 2015. Additionally, the projected NYMEX WTI crude oil curve decreased approximately 6.5% from August 31, 2015 to October 31, 2015. These events have led to an overall decline in drilling activity and volumes in the Eagle Ford shale region of Texas. These market changes negatively affected Ferrellgas, L.P.'s current period results and future projections sufficiently to indicate that the fair value of the reporting unit likely no longer exceeded its carrying value.

In the second step, the implied fair value of goodwill is determined by assigning the fair value of a reporting unit to all the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for that excess.

As of October 31, 2015, Ferrellgas, L.P. performed the first step of the goodwill impairment test for the Midstream operations - water solutions reporting unit and determined that the carrying value of the reporting unit exceeded the fair value. Ferrellgas, L.P. then completed the second step of the goodwill impairment analysis comparing the implied fair value of the reporting unit to the carrying amount of goodwill and determined that goodwill was completely impaired and has written off the entire $29.3 million of goodwill related to this reporting unit.

Changes in the carrying amount of goodwill, by reportable segment, are as follows:

	Propane and related equipment sales	Midstream operations - water solutions	Midstream operations - crude oil logistics	Total
Balance at July 31, 2015	$256,120	$29,316	$193,311	$478,747
Acquisitions	—	—	—	—
Revisions to acquisition accounting	—	—	10,184	10,184
Impairment	—	(29,316)	—	(29,316)

Balance at October 31, 2015	$256,120	$—	$203,495	$459,615

Table of Contents

G. 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 October 31, 2015 and July 31, 2015, $95.4 million and $75.3 million, respectively, were classified as short-term borrowings. For further discussion see the secured credit facility section below.

Secured credit facility

As of October 31, 2015, Ferrellgas, L.P. had total borrowings outstanding under its secured credit facility of $250.2 million, of which $154.8 million was classified as long-term debt. As of July 31, 2015, Ferrellgas, L.P. had total borrowings outstanding under its secured credit facility of $211.4 million, of which $136.1 million was classified as long-term debt. Borrowings outstanding at October 31, 2015 and July 31, 2015 under the secured credit facility had weighted average interest rates of 3.3% and 3.5%, 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 October 31, 2015 totaled $71.5 million and were used primarily to secure insurance arrangements and to a lesser extent, product purchases. Letters of credit outstanding at July 31, 2015 totaled $61.2 million and were used primarily to secure insurance arrangements and, to a lesser extent, product purchases. At October 31, 2015, Ferrellgas, L.P. had remaining letter of credit capacity of $128.5 million. At July 31, 2015 Ferrellgas, L.P. had remaining letter of credit capacity of $138.8 million.

H. Partners' capital

Partnership distributions paid

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

	For the three months ended October 31,	
	2015	2014
Ferrellgas Partners	$51,963	$41,774
General partner	530	426
	$52,493	$42,200

On November 24, 2015, Ferrellgas, L.P. declared distributions for the three months ended October 31, 2015 to Ferrellgas Partners and the general partner of $58.6 million and $0.6 million, respectively, which are expected to be paid on December 15, 2015.

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

Accumulated other comprehensive income (loss) ("AOCI")

See Note J – Derivative instruments and hedging activities – for details regarding changes in the fair value of risk management financial derivatives recorded within AOCI for the three months ended October 31, 2015 and 2014.

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 three months ended October 31, 2015, the general partner made non-cash contributions of $0.1 million to Ferrellgas, L.P. to maintain its 1.0101% general partner interest.

Table of Contents

During the three months ended October 31, 2014, the general partner made cash contributions of $0.4 million and non-cash contributions of $0.2 million to Ferrellgas, L.P. to maintain its 1.0101% general partner interest.

I. Fair value measurements

Derivative financial instruments, assets held for sale, goodwill impairment and contingent consideration

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 October 31, 2015 and July 31, 2015:

	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
October 31, 2015:				
Assets:				
Derivative financial instruments:				
Interest rate swap agreements	$—	$2,427	$—	$2,427
Commodity derivatives	$—	$3,577	$—	$3,577
Liabilities:				
Derivative financial instruments:				
Interest rate swap agreements	$—	$(4,220)	$—	$(4,220)
Commodity derivatives	$—	$(33,301)	$—	$(33,301)
July 31, 2015:				
Assets:				
Derivative financial instruments:				
Interest rate swap agreements	$—	$1,828	$—	$1,828
Commodity derivatives	$—	$4,655	$—	$4,655
Liabilities:				
Derivative financial instruments:				
Interest rate swap agreements	$—	$(4,748)	$—	$(4,748)
Commodity derivatives	$—	$(42,375)	$—	$(42,375)
Contingent consideration	$—	$—	$(100)	$(100)

Ferrellgas, L.P. also measures the fair value of certain assets on a non-recurring basis when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Non-financial assets such as property, equipment, land, goodwill and intangible assets are also subject to non-recurring fair value measurements if they are deemed to be impaired. The impairment models used for non-financial assets depend on the type of asset. When the carrying amount of these assets no longer exceeds the fair value, an assessment of the fair value of the reporting unit's assets is prepared to determine the fair value of goodwill and indefinite lived intangible assets.
As discussed in Note D - Supplemental financial statement information, during the three month period ended October 31, 2015, Ferrellgas, L.P. committed to a plan to dispose of certain assets in its Midstream operations - crude oil logistics segment. Ferrellgas, L.P. measures long-lived assets held for sale at the lower of carrying amount or estimated fair value. Ferrellgas, L.P. recorded a loss on disposal of assets and other of $12.1 million during the three months ended October 31, 2015 to reduce the carrying amount of the property to its estimated fair value less estimated costs to sell.

During the three months ended October 31, 2015, Ferrellgas, L.P. determined that the continued and prolonged decline in the price of crude oil constituted a triggering event for its Midstream operations - water solutions business that required an update to the goodwill impairment assessment as of October 31, 2015. See Note F – Goodwill and intangible assets, net – for further discussion of Ferrellgas' goodwill impairment assessment.

Table of Contents

Upon completing the second step of an impairment test as of October 31, 2015 for the Midstream operations - water solutions reporting unit, Ferrellgas, L.P. determined that goodwill was impaired and has written off the entire $29.3 million of goodwill related to this reporting unit.

The following table presents fair value measurements of certain assets on a non-recurring basis as of October 31, 2015:

	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	Total gains (losses)
Assets held for sale	$—	$—	$8,840	$8,840	$(12,112)
Goodwill impairment for Midstream operations - water solutions segment					$(29,316)

The following is a reconciliation of the opening and closing balances for the liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended October 31, 2015:

	Contingent consideration liability
Balance at July 31, 2015	$100
Increase in fair value related to accretion	—
Change in fair value included in earnings	(100)
Balance at October 31, 2015	$—

Methodology

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. The fair value of the trucks classified as assets held for sale represents Ferrellgas, L.P's estimate of expected sales price less costs to sell. The fair value measurements used to determine this value of the assets held for sale were based on a market approach utilizing prices from prior transactions and third party pricing information.

Other financial instruments

The carrying amounts of other financial instruments included in current assets and current liabilities (except for current maturities of long-term debt) approximate their fair values because of their short-term nature. At October 31, 2015 and July 31, 2015, the estimated fair value of Ferrellgas, L.P.’s long-term debt instruments was $1,623.7 million and $1,700.5 million, respectively. Ferrellgas estimates the fair value of long-term debt based on quoted market prices. The fair value of our consolidated debt obligations is a Level 2 valuation based on the observable inputs used for similar liabilities.

Ferrellgas, L.P. has other financial instruments such as trade accounts receivable which could expose it to concentrations of credit risk. The credit risk from trade accounts receivable is limited because of a large customer base which extends across many different U.S. markets.

Table of Contents

J. 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. Of these, the propane commodity derivative instruments are designated as cash flow hedges. All other commodity derivative instruments do not qualify or are not designated as cash flow hedges, therefore, the change in their fair value are recorded currently in earnings. Ferrellgas, L.P. also periodically utilizes derivative instruments to manage its exposure to fluctuations in interest rates.

Derivative instruments and hedging activities

During the three months ended October 31, 2015 and 2014 Ferrellgas, L.P. did not recognize any gain or loss in earnings related to hedge ineffectiveness.

The following tables provide a summary of the fair value of derivatives in Ferrellgas, L.P.'s condensed consolidated balance sheets as of October 31, 2015 and July 31, 2015:

Table of Contents

	October 31, 2015			
	Asset Derivatives		Liability Derivatives	
Derivative Instrument	Location	Fair value	Location	Fair value
Derivatives designated as hedging instruments				
Commodity derivatives-propane	Prepaid expenses and other current assets	$3,155	Other current liabilities	$23,000
Commodity derivatives-propane	Other assets, net	422	Other liabilities	6,851
Interest rate swap agreements	Prepaid expenses and other current assets	1,836	Other current liabilities	2,470
Interest rate swap agreements	Other assets, net	591	Other liabilities	1,750
Derivatives not designated as hedging instruments				
Commodity derivatives-vehicle fuel	Prepaid expenses and other current assets	—	Other current liabilities	2,169
Commodity derivatives-vehicle fuel	Other assets, net	—	Other liabilities	1,281
	Total	$6,004	Total	$37,521

	July 31, 2015			
	Asset Derivatives		Liability Derivatives	
Derivative Instrument	Location	Fair value	Location	Fair value
Derivatives designated as hedging instruments				
Commodity derivatives	Prepaid expenses and other current assets	$3,614	Other current liabilities	$27,929
Commodity derivatives	Other assets, net	1,041	Other liabilities	12,034
Interest rate swap agreements	Prepaid expenses and other current assets	1,828	Other current liabilities	2,241
Interest rate swap agreements	Other assets, net	—	Other liabilities	2,507
Derivatives not designated as hedging instruments				
Commodity derivatives - vehicle fuel	Prepaid expenses and other current assets	—	Other current liabilities	1,280
Commodity derivatives - vehicle fuel	Other assets, net	—	Other liabilities	1,132
	Total	$6,483	Total	$47,123

Ferrellgas, L.P.'s exchange traded commodity derivative contracts require cash margin deposit as collateral for contracts that are in a negative mark-to-market position. These cash margin deposits will be returned if mark-to-market conditions improve or will be applied against cash settlement when the contracts are settled. The following tables provide a summary of cash margin deposit balances as of October 31, 2015 and July 31, 2015, respectively:

October 31, 2015	
Assets	Liabilities

Description	Location	Amount	Location	Amount
Margin Deposits	Prepaid expenses and other current assets	$15,601	Other current liabilities	$10
	Other assets, net	8,896	Other liabilities	—
		$24,497		$10

46

Table of Contents

	July 31, 2015			
	Assets		Liabilities	
Description	Location	Amount	Location	Amount
Margin Deposits	Prepaid expenses and other current assets	$18,009	Other current liabilities	$15
	Other assets, net	11,786	Other liabilities	—
		$29,795		$15

The following table provides a summary of the effect on Ferrellgas, L.P.'s condensed consolidated statements of earnings for the three months ended October 31, 2015 and 2014 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 October 31,		For the three months ended October 31,	
		2015	2014	2015	2014
Interest rate swap agreements	Interest expense	$537	$457	$(2,275)	$(2,275)

The following tables provide a summary of the effect on Ferrellgas, L.P.'s condensed consolidated statements of comprehensive income for the three months ended October 31, 2015 and 2014 due to derivatives designated as cash flow hedging instruments:

	For the three months ended October 31, 2015			
Derivative Instrument	Amount of Gain (Loss) Recognized in AOCL	Location of Gain (Loss) Reclassified from AOCL into Income	Amount of Gain (Loss) Reclassified from AOCL into Income	
			Effective portion	Ineffective portion
Commodity derivatives	$1,585	Cost of sales-propane and other gas liquids sales	$(7,449)	$—
Interest rate swap agreements	(1,201)	Interest expense	(777)	—
	$384		$(8,226)	$—

	For the three months ended October 31, 2014			
Derivative Instrument	Amount of Gain (Loss) Recognized in AOCI	Location of Gain (Loss) Reclassified from AOCL into Income	Amount of Gain (Loss) Reclassified from AOCL into Income	
			Effective portion	Ineffective portion
Commodity derivatives	$(12,758)	Cost of sales-propane and other gas liquids sales	$1,128	$—
Interest rate swap agreements	(1,139)	Interest expense	—	—
	$(13,897)		$1,128	$—

The following table provides a summary of the effect on Ferrellgas, L.P.'s condensed consolidated statements of earnings for the three months ended October 31, 2015 due to the change in fair value of derivatives not designated as hedging instruments:

Table of Contents

Derivatives Not Designated as Hedging Instruments	For the three months ended October 31, 2015 Amount of Gain (Loss) Recognized in Income	Location of Gain (Loss) Recognized in Income
Commodity derivatives	$(1,038)	Operating expense

Ferrellgas, L.P. did not hold derivatives not designated as hedging instruments for the three months ended October 31, 2014.

The changes in derivatives included in AOCI for the three months ended October 31, 2015 and 2014 were as follows:

	For the three months ended October 31,	
Gains and losses on derivatives included in AOCI	2015	2014
Beginning balance	$(38,906)	$6,483
Change in value of risk management commodity derivatives	1,585	(12,758)
Reclassification of gains and losses on commodity hedges to cost of sales - propane and other gas liquids sales, net	7,449	(1,128)
Change in value of risk management interest rate derivatives	(1,201)	(1,139)
Reclassification of gains and losses on interest rate hedges to interest expense	$777	$—
Ending balance	$(30,296)	$(8,542)

Ferrellgas, L.P. expects to reclassify net losses of approximately $19.8 million to earnings during the next 12 months. These net losses are expected to be offset by increased margins on propane sales commitments Ferrellgas, L.P. has with its customers that qualify for the normal purchase normal sales exception.

During the three months ended October 31, 2015 and 2014, 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 October 31, 2015, Ferrellgas, L.P. had financial derivative contracts covering 2.8 million barrels of propane that were entered into as cash flow hedges of forward and forecasted purchases of propane.

As of October 31, 2015, Ferrellgas had financial derivative contracts covering 0.3 million barrels of diesel and 48 thousand barrels of unleaded gasoline related to fuel hedges in transportation 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. Ferrellgas, L.P. has concentrations of credit risk associated with derivative financial instruments held by certain derivative financial instrument counterparties. If these counterparties that make up the concentration failed to perform according to the terms of their contracts at October 31, 2015, 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 is zero.

Ferrellgas, L.P. holds certain derivative contracts that have credit-risk-related contingent features which dictate credit limits based upon Ferrellgas, L.P.'s debt rating. As of October 31, 2015, a downgrade in Ferrellgas, L.P.'s debt rating could trigger a reduction in credit limit and would result in an additional collateral requirement of $0.2 million. There were $0.2 million of derivatives with credit-risk-related contingent features in a liability position on October 31, 2015 and Ferrellgas, L.P. had posted no collateral in the normal course of business related to such derivatives.

K. 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 October 31,	
	2015	2014
Operating expense	$56,010	$51,120
General and administrative expense	$7,093	$6,597

In connection with the closing of the Bridger Logistics acquisition, Ferrellgas issued common units to Bridger Marketing, LLC (now known as Jamex Marketing, LLC) and entered into a ten-year transportation and logistics agreement (the "TLA") with Jamex Marketing, LLC. As a result of that issuance, Jamex Marketing, LLC owned 9.5% of Ferrellgas Partners' limited partners' interest at October 31, 2015. Jamex Marketing, LLC, in connection with the TLA, enters into transactions with the operating partnership and its subsidiaries. Bridger provides crude oil logistics services for Jamex Marketing, LLC, including the transportation and storage of crude oil by truck, terminal and pipeline. During the three months ended October 31, 2015, Ferrellgas' total revenues and cost of sales from these transactions were $4.4 million and $0.6 million, respectively. There was no activity for the three months ended October 31, 2014. The amounts due from and due to Jamex Marketing, LLC at October 31, 2015, were $1.6 million and $0.3 million, respectively. The amounts due from and due to Jamex Marketing, LLC at July 31, 2015, were $4.8 million and $4.2 million, respectively.

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

L. 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 and crude oil. 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..

Ferrellgas, L.P. has also been named as a defendant, along with a competitor, in putative class action lawsuits filed in multiple jurisdictions. The complaints, filed on behalf of direct and indirect customers of Ferrellgas, L.P.'s tank exchange business, reference the FTC complaint mentioned above. The lawsuits allege that Ferrellgas, L.P. and a competitor coordinated in 2008 to reduce the fill level in barbeque cylinders and combined to persuade a common customer to accept that fill reduction, resulting in increased cylinder costs to retailers and end-user customers in violation of federal and certain state antitrust laws. The lawsuits seek treble damages, attorneys' fees, injunctive relief and costs on behalf of the putative class. These lawsuits have been consolidated into one case by a multidistrict litigation panel. Ferrellgas, L.P. believes it has strong defenses to the claims and intends to vigorously defend against the consolidated case. Ferrellgas, L.P. does not believe loss is probable or reasonably estimable at this time related to the putative class action lawsuit.

In addition, putative class action cases have been filed in California relating to residual propane remaining in the tank after use. Ferrellgas, L.P. believes it has strong defenses to the claims and intends to vigorously defend against the consolidated case. Ferrellgas, L.P. does not believe loss is probable or reasonably estimable at this time related to the putative class action lawsuit.

M. Segment reporting

Table of Contents

Ferrellgas, L.P. has two primary operations: propane and related equipment sales and midstream operations. These two operations result in three reportable operating segments: propane and related equipment sales, midstream operations - water solutions and midstream operations - crude oil logistics.

The chief operating decision maker evaluates the operating segments using an Adjusted EBITDA performance measure which is based on earnings before income tax benefit, interest expense, depreciation and amortization expense, non-cash employee stock ownership plan compensation charge, non-cash stock-based compensation charge, goodwill impairment, loss on disposal of assets and other, other expense (income), net, change in fair value of contingent consideration, severance costs, litigation accrual and related legal fees associated with a class action lawsuit, unrealized (non-cash) loss on changes in fair value of derivatives not designated as hedging instruments and acquisition and transition expenses. This performance measure is not a GAAP measure, however, the components are computed using amounts that are determined in accordance with GAAP. A reconciliation of this performance measure to net earnings, which is its nearest comparable GAAP measure, is included in the tables below. In management's evaluation of performance, costs such as compensation for certain administrative staff and executive management, are not allocated by segment and, accordingly, the following reportable segment results do not include such unallocated costs. The accounting policies of the operating segments are otherwise the same as those described in the summary of significant accounting policies in Note B.

Assets reported within a segment are those assets that can be identified to a segment and primarily consist of trade receivables, property, plant and equipment, inventories, identifiable intangible assets and goodwill. Cash, certain prepaid assets and other assets are not allocated to segments. Although Ferrellgas, L.P. can and does identify long-lived assets such as property, plant and equipment and identifiable intangible assets to reportable segments, Ferrellgas, L.P. does not allocate the related depreciation and amortization to the segment as management evaluates segment performance exclusive of these non-cash charges.

The propane and related equipment sales segment primarily includes 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.

The midstream operations - crude oil logistics segment primarily includes a domestic crude oil transportation and logistics provider with an integrated portfolio of midstream assets. These assets connect crude oil production in prolific unconventional resource plays to downstream markets. Bridger's truck, pipeline terminal, pipeline, rail and maritime assets form a comprehensive, fee-for-service business model, and substantially all of its cash flow is expected to be generated from fee-based commercial agreements. Bridger's fee-based business model generates income by providing crude oil transportation and logistics services on behalf of producers and end users of crude oil.

The midstream operations - water solutions segment primarily includes salt water disposal wells that are a critical component of the oil and natural gas well drilling industry. Oil and gas wells generate significant volumes of salt water known as “flowback” and “production” water. Flowback is a water based solution that flows back to the surface during and after the completion of the hydraulic fracturing (“fracking”) process whereby large volumes of water, sand and chemicals are injected under high pressures into rock formations to stimulate production. Production water is salt water from underground formations that are brought to the surface during the normal course of oil or gas production. In the oil and gas fields Ferrellgas, L.P. services, these volumes of water are transported by truck away from the fields to salt water disposal wells where it is injected into underground geologic formations using high-pressure pumps. Revenue is derived from fees charged to customers to dispose of salt water at the disposal facilities and crude oil sales from the skimming oil process.

Following is a summary of segment information for the three months ended October 31, 2015 and 2014.

Table of Contents

	Three months ended October 31, 2015				
	Propane and related equipment sales	Midstream operations - Crude oil logistics	Midstream operations - Water Solutions	Corporate and other	Total
Segment revenues	$277,476	$189,373	$4,297	$—	$471,146
Direct costs (1)	241,877	164,570	4,776	11,024	422,247
Adjusted EBITDA	$35,599	$24,803	$(479)	$(11,024)	$48,899

	Three months ended October 31, 2014				
	Propane and related equipment sales	Midstream operations - Crude oil logistics	Midstream operations - Water Solutions	Corporate and other	Total
Segment revenues	$435,439	$—	$7,916	$—	$443,355
Direct costs (1)	393,808	—	4,733	10,456	408,997
Adjusted EBITDA	$41,631	$—	$3,183	$(10,456)	$34,358

(1) Direct costs are comprised of "cost of sales-propane and other gas liquids sales", "cost of products sold-midstream operations", "cost of products sold-other", "operating expense", "general and administrative expense", and "equipment lease expense" less "non-cash stock-based compensation charge", "change in fair value of contingent consideration", "severance charge", "litigation accrual and related legal fees associated with a class action lawsuit", "unrealized (non-cash) loss on changes in fair value of derivatives not designated as hedging instruments" and "acquisition and transition expenses".

Following is a reconciliation of Ferrellgas, L.P.'s total segment performance measure to condensed consolidated net loss:

	Three months ended October 31,	
	2015	2014
Net loss	$(76,536)	$(29,137)
Income tax benefit	(844)	(511)
Interest expense	29,758	19,878
Depreciation and amortization expense	36,979	23,309
EBITDA	(10,643)	13,539
Non-cash employee stock ownership plan compensation charge	5,256	4,374
Non-cash stock-based compensation charge	8,122	16,112
Goodwill impairment	29,316	—
Loss on disposal of assets and other	14,917	961
Other expense, net	122	449
Change in fair value of contingent consideration	(100)	(1,800)
Severance costs	856	—
Litigation accrual and related legal fees associated with a class action lawsuit	—	723
Unrealized (non-cash) loss on changes in fair value of derivatives not designated as hedging instruments	1,038	—
Acquisition and transition expenses	15	—
Adjusted EBITDA	$48,899	$34,358

Following are total assets by segment:

Table of Contents

Assets	October 31, 2015	July 31, 2015
Propane and related equipment sales	$ 1,287,582	$ 1,291,737
Midstream operations - crude oil logistics	879,286	917,325
Midstream operations - water logistics	178,236	205,358
Corporate and unallocated	39,310	45,542
Total consolidated assets	$ 2,384,414	$ 2,459,962

Following are capital expenditures by segment:

	Three months ended October 31, 2015				
	Propane and related equipment sales	Midstream operations - Crude oil logistics	Midstream operations - Water Solutions	Corporate and other	Total
Capital expenditures:					
Maintenance	$ 5,898	$ —	$ 139	$ 145	$ 6,182
Growth	8,615	3,303	6,401	—	18,319
Total	$ 14,513	$ 3,303	$ 6,540	$ 145	$ 24,501

	Three months ended October 31, 2014				
	Propane and related equipment sales	Midstream operations - Crude oil logistics	Midstream operations - Water Solutions	Corporate and other	Total
Capital expenditures:					
Maintenance	$ 4,576	$ —	$ 176	$ 304	$ 5,056
Growth	11,069	—	857	—	11,926
Total	$ 15,645	$ —	$ 1,033	$ 304	$ 16,982

N. 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, other than as discussed below, there were no events or transactions occurring during this period that require recognition or disclosure in its condensed consolidated financial statements.
On November 13, 2015 Ferrellgas, L.P distributed $46.8 million and $0.4 million to Ferrellgas Partners and the general partner, respectively, using proceeds from the secured credit facility. Ferrellgas Partners utilized these funds primarily to repurchase approximately 2.4 million common units from Jamex Marketing, LLC.

Table of Contents

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

	October 31, 2015	July 31, 2015
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	56,317	53,267
Accumulated deficit	(56,217)	(53,167)
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 October 31,	
	2015	2014
General and administrative expense	$3,050	$160
Net loss	$(3,050)	$(160)

See notes to condensed financial statements.

Table of Contents

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

	For the three months ended October 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	$(3,050)	$(160)
Cash used in operating activities	(3,050)	(160)
Cash flows from financing activities:		
Capital contribution	3,050	50
Cash provided by financing activities	3,050	50
Net change in cash	—	(110)
Cash - beginning of period	1,100	1,100
Cash - end of period	$1,100	$990

See notes to condensed financial statements.

Table of Contents

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

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

Table of Contents

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 Item 2 of the Quarterly Report on Form 10-Q, unless the context indicates otherwise:

- “us,” “we,” “our,” “ours,” “consolidated,” or "Ferrellgas" are references exclusively to Ferrellgas Partners, L.P. together with i 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;

- “water solutions revenues” refers to fees charged for the processing and disposal of salt water as well as the sale of skimming oil;

- "crude oil logistics revenues" refers to fees charged for crude oil transportation and logistics services on behalf of producers and end-users of crude oil;

-

"crude oil purchases and sales" refers to crude oil purchased and sold in connection with crude oil transportation and logistics services on behalf of producers and end-users of crude oil;

- "crude oil hauled" refers to the crude oil volume in barrels transported through our operation of a fleet of trucks and tank trailers and rail cars;

- “salt water volume” refers to the number of barrels of salt water processed at our disposal sites;

- “skimming oil” refers to the oil collected from the process used at our salt water disposal wells through a combination of gravity and chemicals to separate crude oil that is dissolved in the salt water;

Table of Contents

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

- "MBbls/d" refers to one thousand barrels per day.

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 23.2% of our outstanding common units. Ferrell Companies is owned 100% by an employee stock ownership trust.

We file annual, quarterly, and other reports and information with the SEC. You may read and download our SEC filings over the Internet from several commercial document retrieval services as well as at the SEC’s website at www.sec.gov. You may also read and copy our SEC filings at the SEC’s Public Reference Room located at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information concerning the Public Reference Room and any applicable copy charges. Because our common units are traded on the New York Stock Exchange under the ticker symbol “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
- Ferrellgas Partners issued common units during fiscal 2015 and repurchased common units in fiscal 2016.

Table of Contents

Overview

Propane and related equipment sales

We are a leading distributor of propane and related equipment and supplies to customers in the United States as measured by the volume of our retail sales in fiscal 2015 and a leading 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.

We use information on temperatures to understand how our results of operations are affected by temperatures that are warmer or colder than normal. We use the definition of “normal” temperatures based on information published by the National Oceanic and Atmospheric Administration. 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 primarily during the months of November through March (the “winter heating season”). Accordingly, the volume of propane used by our customers for this purpose is directly affected by the severity of the winter weather in the regions we serve and can vary substantially from year to year. In any given region, sustained warmer-than-normal temperatures will tend to result in reduced propane usage, while sustained colder-than-normal temperatures will tend to result in greater usage. Although there is a 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.

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

Our open financial derivative propane purchase commitments are designated as hedges primarily for fiscal 2016 and 2017 sales commitments and, as of October 31, 2015, have experienced net mark to market losses of approximately $26.3 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 sales-propane and other gas liquid sales” in the condensed consolidated statements of earnings as the underlying inventory is sold. These financial derivative propane purchase commitment net losses are expected to be offset by increased margins on propane sales commitments that qualify for the normal purchase normal sale exception. At October 31, 2015, we estimate 55% of currently open financial derivative propane purchase commitments, the related propane sales commitments and the resulting gross margin will be realized into earnings during the next twelve months.

Midstream Operations

Crude oil logistics

Our crude oil logistics segment generates income by providing crude oil transportation and logistics services on behalf of producers and end-users of crude oil. Bridger services include transportation through its operation of a fleet of 416 trucks, 684 tank trailers and 1,105 railcars primarily servicing Texas, Louisiana, North Dakota, Pennsylvania, Colorado and Wyoming; pipeline services in North Dakota, Montana, Wyoming, New Mexico, Mississippi, Oklahoma and Texas; and crude oil purchase and sale in connection with pipeline management services. We also operate 19 pipeline injection terminals, approximately 38 MBbls/d of capacity on multiple crude oil pipelines, and barge capacity to transport a minimum of 65 MBbls/d.

Table of Contents

Water solutions

We currently own and operate nine salt water disposal wells in and around the Eagle Ford shale in south Texas. Salt water disposal wells are a critical component of the oil and natural gas well drilling industry. Oil and natural gas wells generate significant volumes of salt water. In the oil and gas fields Ferrellgas services, these volumes of water are transported by truck away from the fields to salt water disposal wells where a combination of gravity and chemicals are used to separate crude oil that is residual in the salt water through a process that results in the collection of "skimming oil". This skimming oil is then captured and sold before the salt water is injected into underground geologic formations using high-pressure pumps. Our revenue per barrel of salt water processed is derived from a blend of fees we charge our customers to dispose of salt water at our facilities and skimming oil sales. Our gross margin is highly dependent on crude oil production activity in the Eagle Ford shale and thus from the volume of salt water delivered to our wells for disposal. We may hedge the price of crude oil sales from our a portion of our oil skimming activities, although we do not elect to qualify these transactions for hedge accounting.

During the quarter ended October 31, 2015, goodwill related to the Midstream operations - water solutions segment was determined to be fully impaired. See Note F - Goodwill and intangible assets, net.

Overview of net loss attributable to Ferrellgas Partners, L.P.

“Net loss attributable to Ferrellgas Partners, L.P.” in the three months ended October 31, 2015 was $(79.8) million compared to $(32.9) million in the prior year period. This increased loss was primarily due to the following:

- a $29.3 million goodwill impairment charge;
- a $14.0 million increase in "Loss on disposal of assets and other";
- a $13.7 million increase in "Depreciation and amortization expense";
- a $9.9 million increase in "Interest expense";
- a $9.8 million increase in "Operating expense"; and
- a $6.0 million decrease in gross margin in the propane and related equipment sales segment;

partially offset by a $37.7 million increase in gross margin in our newly created Midstream operations - Crude oil logistics segment.

During the three months ended October 31, 2015, we determined that the continued and prolonged decline in the price of crude oil constituted a triggering event for its Midstream operations - water solutions business that required an update to the goodwill impairment assessment as of October 31, 2015. Upon completing the second step of an impairment test as of October 31, 2015 for the Midstream operations - water solutions reporting unit, we determined that Goodwill was fully impaired and have written off the entire $29.3 million of goodwill related to this reporting unit.

Forward-looking Statements

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

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

Table of Contents

Some of our forward-looking statements include the following:

- that 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;
- that Ferrellgas Partners and the operating partnership will continue to meet all of the quarterly financial tests required by the agreements governing their indebtedness, and
- that our future capital expenditures and working capital needs will be provided by a combination of cash generated from future operations, existing cash balances, the secured credit facility or the accounts receivable securitization facility.

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 2015 and as set forth in "Part II, Item 1A" of this Quarterly Report on From 10-Q. Any of these risks could impair our business, financial condition or results of operations. Any such impairment may affect our ability to make distributions to our unitholders or 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.

Table of Contents

Results of Operations

Three months ended October 31, 2015 compared to October 31, 2014

(amounts in thousands) Three months ended October 31,	2015	2014	Favorable (Unfavorable) Variance	
Propane sales volumes (gallons):				
Retail – Sales to End Users	110,973	124,147	(13,174)	(11)%
Wholesale – Sales to Resellers	50,566	61,935	(11,369)	(18)%
	161,539	186,082	(24,543)	(13)%
Salt water volume (barrels)	4,734	3,997	737	16 %
Crude oil hauled (barrels)	24,264	—	24,264	NM
Crude oil sold (barrels)	1,510	—	1,510	NM
Revenues -				
Propane and other gas liquids sales:				
Retail – Sales to End Users	$148,586	$232,753	$(84,167)	(36)%
Wholesale – Sales to Resellers	84,452	118,574	(34,122)	(29)%
Other Gas Sales (a)	12,263	43,034	(30,771)	(72)%
Other	32,175	41,078	(8,903)	(22)%
Propane and related equipment revenues	277,476	435,439	(157,963)	(36)%
Midstream operations - water solutions	4,297	7,916	(3,619)	(46)%
Midstream operations - crude oil logistics	189,373	—	189,373	NM
	$471,146	$443,355	$27,791	6 %
Gross margin -				
Propane and other gas liquids sales: (b)				
Retail – Sales to End Users (a)	$81,097	$88,668	$(7,571)	(9)%
Wholesale – Sales to Resellers (a)	42,453	40,879	1,574	4 %
Other	17,727	19,186	(1,459)	(8)%
Propane and related equipment gross margin	141,277	148,733	(7,456)	(5)%
Midstream operations - water solutions (d)	2,346	5,948	(3,602)	(61)%
Midstream operations - crude oil logistics	37,720	—	37,720	NM
	$181,343	$154,681	$26,662	17 %
Goodwill impairment	$(29,316)	$—	$(29,316)	NM
Loss on disposal of assets and other	$(14,917)	$(961)	$(13,956)	NM
Operating loss	$(47,500)	$(9,318)	$(38,182)	(410)%
Adjusted EBITDA				
Propane and related equipment	$35,599	$41,634	$(6,035)	(14)%
Midstream operations - water solutions	(479)	3,183	(3,662)	NM
Midstream operations - crude oil logistics (d)	24,803	—	24,803	NM
Corporate and other	(11,024)	(10,456)	(568)	(5)%
Adjusted EBITDA (c)	$48,899	$34,361	$14,538	42 %

Interest expense	$(33,788)	$(23,912)	$(9,876)	(41)%
Interest expense - operating partnership	$(29,758)	$(19,878)	$(9,880)	(50)%

NM - Not Meaningful

61

Table of Contents

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 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 sales – propane and other gas liquids sales” and does not include depreciation and amortization.

c) Adjusted EBITDA is calculated as net loss attributable to Ferrellgas Partners, L.P., income tax benefit, interest expense, depreciation and amortization expense, non-cash employee stock ownership plan compensation charge, non-cash stock-based compensation charge, goodwill impairment, loss on disposal of assets and other, other expense (income), net, change in fair value of contingent consideration, severance costs, litigation accrual and related legal fees associated with a class action lawsuit, unrealized (non-cash) loss on changes in fair value of derivatives not designated as hedging instruments, acquisition and transition expeneses and net loss attributable to noncontrolling interest. Management believes the presentation of this measure is relevant and useful because it allows investors to view the partnership's performance in a manner similar to the method management uses, adjusted for items management believes makes it easier to compare its results with other companies that have different financing and capital structures. 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.

d) Gross margin from both Midstream operations segments represents “Revenues - Midstream operations” less “Cost of sales – Midstream operations” and does not include depreciation and amortization.

The following table summarizes EBITDA, Adjusted EBITDA and distributable cash flow attributable to common unitholders for the three months ended October 31, 2015 and 2014, respectively:

(amounts in thousands)		
Three months ended October 31,	2015	2014
Net loss attributable to Ferrellgas Partners, L.P.	$(79,793)	$(32,875)
Income tax benefit	(844)	(510)
Interest expense	33,788	23,912
Depreciation and amortization expense	36,979	23,309
EBITDA	(9,870)	13,836
Non-cash employee stock ownership plan compensation charge	5,256	4,374
Non-cash stock-based compensation charge	8,122	16,112
Goodwill impairment	29,316	—
Loss on disposal of assets and other	14,917	961
Other expense, net	122	449
Change in fair value of contingent consideration	(100)	(1,800)
Severance costs	856	
Litigation accrual and related legal fees associated with a class action lawsuit	—	723
Unrealized (non-cash) loss on changes in fair value of derivatives not designated as hedging instruments	1,038	—
Acquisition and transition expenses	15	
Net loss attributable to noncontrolling interest	(773)	(294)
Adjusted EBITDA	48,899	34,361
Net cash interest expense (a)	(32,502)	(22,890)
Maintenance capital expenditures (b)	(6,215)	(5,088)
Cash paid for taxes	—	(260)
Proceeds from asset sales	1,013	1,417
Distributable cash flow to equity investors (c)	11,195	7,540
Distributable cash flow attributable to general partner and non-controlling interest	224	151
Distributable cash flow attributable to common unitholders (d)	10,971	7,389

Less: Distributions paid to common unitholders	51,443	41,356
Distributable cash flow shortage	$(40,472)	$(33,967)

(a) Net cash interest expense is the sum of interest expense less non-cash interest expense and other income (expense), net. This amount includes interest expense related to the accounts receivable securitization facility.

Table of Contents

(b) Maintenance capital expenditures include capitalized expenditures for betterment and replacement of property, plant and equipment.

(c) Management considers distributable cash flow attributable to equity investors a meaningful non-GAAP measure of the partnership's ability to declare and pay quarterly distributions to equity investors. Distributable cash flow attributable to equity investors, as management defines it, may not be comparable to distributable cash flow attributable to equity investors or similarly titled measurements used by other corporations and partnerships. Items added into our calculation of distributable cash flow attributable to equity investors that will not occur on a continuing basis may have associated cash payments. Distributable cash flow attributable to equity investors may not be consistent with that of other companies and should be viewed in conjunction with measurements that are computed in accordance with GAAP.

(d) Management considers distributable cash flow attributable to common unitholders a meaningful non-GAAP measure of the partnership's ability to declare and pay quarterly distributions to common unitholders. Distributable cash flow attributable to common unitholders, as management defines it, may not be comparable to distributable cash flow attributable to common unitholders or similarly titled measurements used by other corporations and partnerships. Items added into our calculation of distributable cash flow attributable to common unitholders that will not occur on a continuing basis may have associated cash payments. Distributable cash flow attributable to common unitholders may not be consistent with that of other companies and should be viewed in conjunction with measurements that are computed in accordance with GAAP.

Propane and related equipment sales

Propane sales volumes during the three months ended October 31, 2015 decreased 13% or 24.5 million gallons, from that of the prior year period primarily due to 13.2 million and 11.4 million of decreased gallon sales to retail and wholesale customers, respectively.

Weather in the more highly concentrated geographic areas we serve for the three months ended October 31, 2015 was approximately 13% warmer than that of the prior year period. We believe retail and wholesale customer sales volumes decreased due to the relatively warmer weather.

Our wholesale 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 October 31, 2015 averaged 57% and 62% less than the prior year period, respectively. The wholesale market price at Mt. Belvieu, Texas averaged $0.43 and $1.00 per gallon during the three months ended October 31, 2015 and 2014, respectively, while the wholesale market price at Conway, Kansas averaged $0.39 and $1.02 per gallon during the three months ended October 31, 2015 and 2014, respectively.

We believe the effect of this significant decrease in the average wholesale market price of propane resulted in an increase in our gross margin per gallon. During this period of significantly lower prices, we earned a relatively greater gross margin per gallon on such sales as our ability to maintain sales price per gallon did not decline at the same rate as the corresponding decline in wholesale propane prices.

Revenues

Retail sales decreased $84.2 million compared to the prior year period. This decrease resulted primarily from a $59.5 million decrease in sales price per gallon and $24.7 million decreased sales volumes, as discussed above.

Wholesale sales decreased $34.1 million compared to the prior year period. This decrease resulted primarily from $23.8 million of decreased sales price per gallon and a $10.3 million decrease resulting from decreased sales volumes, as discussed above.

Other gas sales decreased $30.8 million compared to the prior year period primarily due to $15.8 million of decreased sales price per gallon and $15.0 million resulting from decreased sales volumes.

Other revenues decreased $8.9 million compared to the prior year period, primarily due to the timing of certain lower margin equipment sales.

Table of Contents

Gross margin - Propane and other gas liquids sales

Gross margin decreased $6.0 million compared to the prior year period. This decrease resulted primarily from a $6.6 million decrease in propane sales volumes, as discussed above, partially offset by a $0.6 million increase in gross margin per gallon, as discussed above.

Gross margin - Other

Gross margin decreased $1.5 million primarily due to a $0.9 million decrease in miscellaneous fees billed to customers.

Adjusted EBITDA

Adjusted EBITDA decreased $6.0 million primarily due to a $6.0 million decrease in "Gross margin - Propane and other gas liquid sales", a $1.5 million decrease in Gross margin - Other, each as discussed above, and a $1.2 million increase in "Equipment lease expense" primarily due to the replacement of older vehicles, partially offset by a $2.6 million decrease in "Operating expense". "Operating expense" decreased primarily due to a $2.2 million decrease in vehicle fuel costs.

Midstream operations - Crude oil logistics

Our midstream operations - crude oil logistics began with our June 2015 acquisition of Bridger, therefore, there are no comparable results from fiscal 2015.

During the first quarter of fiscal 2016, we committed to a plan to sell certain trucks held by our midstream operations - crude oil logistics segment, resulting in an increase of $13.4 million in "Loss on disposal of assets and other". These assets were reclassified to assets held for sale on our balance sheet as of October 31, 2015. We ceased depreciation on these assets during October 2015.

Revenues

We generated $122.4 million of revenues relating to the hauling of 24.3 million barrels of crude oil and $67.0 million of revenues relating to the associated fees and sales of 1.5 million barrels of crude oil.

Gross margin

We generated $36.5 million of gross margin relating to the hauling of crude oil and $1.2 million of gross margin relating to the associated fees and sales of crude oil.

Adjusted EBITDA

Adjusted EBITDA of $24.8 million during three months ended October 31, 2015 was due to the $37.7 million of gross margin discussed above, partially offset by $11.1 million of operating expenses, $1.7 million of general and administrative expenses and $0.1 million of lease expense.

Midstream operations - Water solutions

We recorded a $29.3 million goodwill impairment charge during the quarter ended October 31, 2015. Our midstream operations- water solutions segment was impacted by the significant drop in the market price of crude oil as compared to the prior year quarter and the related reduction in the oil skimming rate that accompanies such a price drop.

Revenues

Our skimming oil and salt water disposal revenues decreased $3.6 million as compared to the prior year, primarily due to lower sales prices of crude oil related to our skimming oil process.

Gross margin

Our skimming oil and salt water gross margin decreased $3.6 million as compared to the prior year, primarily due to lower sales prices of crude oil related to our skimming oil process.

Adjusted EBITDA

64

Adjusted EBITDA decreased $3.7 million during three months ended October 31, 2015 primarily due to the $3.6 million decrease in gross margin discussed above.

Corporate & other

The Adjusted EBITDA within "corporate and other" decreased by $0.6 million primarily due to an $0.8 million increase in various corporate personnel expenses.

Consolidated

Operating loss

"Operating loss" increased $38.2 million compared to the prior year period primarily due to a $29.3 million "Goodwill impairment" as discussed above, a $14.0 million increase in "Loss on disposal of assets and other", a $13.7 million increase in “Depreciation and amortization expense” and a $9.8 million increase in "Operating expense", partially offset by a $26.7 million increase in total gross margin as discussed above and a $4.3 million decrease in general and administrative expenses.

"Loss on disposal of assets and other" increased primarily due to a one-time $12.1 million write down of trucks held for sale related our Midstream operations - crude oil logistics segments. "Depreciation and amortization expense” increased primarily due to assets acquired in our Midstream operations - Crude oil logistics segment. "Operating expense" increased $11.1 million due to increased operating expenses in our newly formed Midstream operations - Crude oil logistics segment and our propane and related equipment sales segment, as discussed above. General and administrative expenses decreased primarily due to a $5.7 million of decreased non-cash stock based compensation charges, partially offset by an $0.8 million increase in various corporate personnel expenses.

Distributable cash flow attributable to equity investors

Distributable cash flow attributable to equity investors increased from $7.5 million in the prior period to $11.2 million in the current period primarily due to a $14.5 million increase in total Adjusted EBITDA as discussed above, partially offset by a $9.6 million increase in net cash interest expense paid.

Distributable cash flow shortage

Distributable cash flow shortage increased from $34.0 million in the prior period to $40.5 million in the current period primarily due to the effect of an increase in common units issued in June 2015 in connection with the Bridger acquisition in fiscal 2015, partially offset by the increase in distributable cash flow attributable to equity investors.

Interest expense - consolidated

“Interest expense” increased $9.9 million primarily due to the issuance of new debt incurred to fund acquisitions and growth capital expenditures.

Interest expense - operating partnership

“Interest expense” increased $9.9 million primarily due to the issuance of new debt incurred to fund acquisitions and growth capital expenditures.

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.

Distributable Cash Flow

A reconciliation of distributable cash flow to distributions paid for the twelve months ended October 31, 2015 to the twelve

Table of Contents

months ended July 31, 2015 is as follows (in thousands):

	Distributable Cash Flow to equity investors	Changes in cash reserves approved by our General Partner	Cash distributions paid to equity investors	DCF ratio
Three months ended October 31, 2015	$ 11,195	$ 41,298	$ 52,493	
For the year ended July 31, 2015	189,615	(20,646)	168,969	
Less: Three months ended October 31, 2014	7,540	34,660	42,200	
Twelve months ended October 31, 2015	$ 193,270	$ (14,008)	$ 179,262	1.08
Twelve months ended July 31, 2015	189,615	(20,646)	168,969	1.12
Increase (decrease)	$ 3,655	$ 6,638	$ 10,293	(0.04)

For the twelve months ended October 31, 2015, distributable cash flow increased $3.7 million. Cash distributions paid increased $10.3 million primarily due to the issuance of 17.5 million common units during the twelve months ended October 31, 2015 in connection with the acquisition of Bridger. These changes resulted in a decrease in our distribution coverage ratio to 1.08 for the twelve months ended October 31, 2015 as compared to 1.12 for the twelve months ended July 31, 2015. Cash reserves of $14.0 million and $20.6 million in the twelve months ended October 31, 2015 and July 31, 2015, respectively, were established to meet future anticipated expenditures.

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 2015 entitled, “Item 1A. Risk Factors” as well as any changes to these risk factors set forth in "Part II, Item 1A" of this Quarterly Report on From 10-Q, 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 and crude oil. 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 midstream operations segments are not expected to experience seasonality. 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 propane and related equipment sales segment.

A quarterly distribution of $0.5125 will be paid on December 15, 2015 to all common units that were outstanding on December 8, 2015. This represents the second consecutive quarterly distribution of $0.5125 paid to our common unitholders following eighty-three consecutive quarterly distributions of $0.50 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 October 31, 2015, 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 2016. 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.

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 common units for general business purposes, which, among other things, may include the following: repayment of outstanding indebtedness; the redemption of any senior notes or other securities (other than common units) previously issued; working capital; capital expenditures; acquisitions, or other general business purposes. As of November 30, 2015, Ferrellgas Partners had issued 6.3 million common units from this shelf registration statement; and
- an “acquisition” shelf registration statement for the periodic sale of up to $500.0 million in common units to fund acquisitions; as of November 30, 2015, Ferrellgas Partners had $500.0 million available under this shelf registration statement.

Operating Activities

Ferrellgas Partners

Net cash provided by operating activities was $40.8 million for the three months ended October 31, 2015, compared to net cash used in operating activities of $19.4 million for the three months ended October 31, 2014. This increase in cash provided by operating activities was primarily due to a $49.6 million decrease in working capital requirements, a $4.7 million increase in cash flow from operations and a $5.9 million decrease in other assets, net, used to fund margin deposits made toward price risk management activities.

The decrease in working capital requirements was primarily due to a $32.3 million decrease in inventory from the decrease in the wholesale price of propane as well as the timing of inventory purchases, a $23.1 million decrease in prepaid expenses and other current assets primarily due to margin deposits made toward price risk management activities, a $12.4 million decrease in accounts receivable resulting primarily from decreased volumes in Midstream operations pipeline movements as well as the decrease in the wholesale price of propane, and a $8.5 million increase in accrued interest expense due to the timing of interest payments and the issuance of $500.0 million of 6.75% senior notes during June 2015. These decreases in working capital requirements were partially offset by a $25.3 million decrease in accounts payable resulting primarily from decreased volumes in Midstream operations pipeline movements as well as the decrease in the wholesale price of propane.

The increase in cash flow from operations is primarily due to a $26.7 million increase in gross margin, as discussed above, partially offset by an $12.1 million increase in operating expenses, a $9.9 million increase in "Interest expense" and a $1.4 million increase in general and administrative expenses.

Table of Contents

The operating partnership

Net cash provided by operating activities was $42.6 million for the three months ended October 31, 2015, compared to net cash used in operating activities of $19.4 million for the three months ended October 31, 2014. This increase in cash provided by operating activities was primarily due to a $51.4 million decrease in working capital requirements and a $4.7 million increase in cash flow from operations and a $5.9 million decrease in other assets, net, used to fund margin deposits made toward price risk management activities.

The decrease in working capital requirements was primarily due to a $32.3 million decrease in inventory from the decrease in the wholesale price of propane as well as the timing of inventory purchases, a $23.2 million decrease in prepaid expenses and other current assets primarily due to margin deposits made toward price risk management activities, a $12.1 million decrease in accounts receivable resulting primarily from the decrease in the wholesale price of propane as well as the timing of billing and collections on accounts receivable, and a $8.5 million increase in accrued interest expense due to the timing of interest payments and the issuance of $500.0 million of 6.75% senior notes during June 2015. These decreases in working capital requirements were partially offset by a $25.3 million decrease in accounts payable resulting primarily from the decrease in the wholesale price of propane as well as the timing of purchases and disbursements.

The increase in cash flow from operations is primarily due to a $26.7 million increase in gross margin, partially offset by an $12.1 million increase in operating expenses, a $9.9 million increase in "Interest expense" and a $1.4 million increase in general and administrative expenses.

Investing Activities

Capital Requirements

Our business requires continual investments to upgrade or enhance existing operations and to ensure compliance with safety and environmental regulations. Capital expenditures for our business consist primarily of:

- Maintenance capital expenditures. These capital expenditures include expenditures for betterment and replacement of property, plant and equipment rather than to generate incremental distributable cash flow. Examples of maintenance capital expenditures include a routine replacement of a worn-out asset or replacement of major vehicle components; and

- Growth capital expenditures. These expenditures are undertaken primarily to generate incremental distributable cash flow. Examples include expenditures for purchases of both bulk and portable propane tanks and other equipment to facilitate expansion of our customer base and operating capacity.

Net cash used in investing activities was $22.0 million for the three months ended October 31, 2015, compared to net cash used in investing activities of $84.8 million for the three months ended October 31, 2014. This decrease in net cash used in investing activities is due to a decrease of $68.7 million in "Business acquisitions, net of cash acquired" partially offset by an $8.0 million increase in "Capital expenditures".

The increase in "Capital expenditures" is primarily due to an $8.8 million increase in Midstream operations growth projects.

Due to the mature nature of our Propane and related equipment sales operations, we have not incurred and do not anticipate significant fluctuations in maintenance capital expenditures. However, future fluctuations in growth capital expenditures could occur due to the opportunistic nature of these projects.

Due to the relatively new nature of our Midstream operations, we may experience significant fluctuations in maintenance capital expenditures as our facilities age and future fluctuations in growth capital expenditures could occur due to the opportunistic nature of these projects.

Financing Activities

Net cash used in financing activities was $17.6 million for the three months ended October 31, 2015, compared to net cash provided by financing activities of $105.8 million for the three months ended October 31, 2014. This decrease in net cash provided by financing activities was primarily due to a $48.6 million decrease in net credit facility and accounts receivable short term borrowings due to the decrease in working capital requirements resulting from the decrease in the wholesale cost of propane, a $21.7 million decrease in long-term borrowings, a $42.0 million decrease in proceeds from equity offerings, which were primarily used to fund acquisitions during the prior year period and a $10.2 million increase in distributions paid.

Table of Contents

Distributions

Ferrellgas Partners paid a $0.5125 per unit quarterly distribution on all common units, as well as the related general partner distributions, totaling $52.0 million during the three months ended October 31, 2015 in connection with the distributions declared for the three months ended July 31, 2015. The quarterly distribution of $0.5125 on all common units and the related general partner distribution for the three months ended October 31, 2015 totaling $50.7 million are expected to be paid on December 15, 2015 to holders of record on December 8, 2015.

Secured credit facility

As of October 31, 2015, we had total borrowings outstanding under our secured credit facility of $250.2 million, of which $154.8 million was classified as long-term debt. Additionally, Ferrellgas had $278.3 million of available borrowing capacity under our secured credit facility as of October 31, 2015.

Borrowings outstanding at October 31, 2015 under the secured credit facility had a weighted average interest rate of 3.3%. 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 October 31, 2015, the federal funds rate and Bank of America’s prime rate were 0.12% and 3.25%, respectively. As of October 31, 2015, the one-month and three-month Eurodollar Rates were 0.19% and 0.33%, 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) 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 October 31, 2015 totaled $71.5 million and were used primarily to secure insurance arrangements and, to a lesser extent, product purchases. At October 31, 2015, we had remaining letter of credit capacity of $128.5 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 October 31, 2015, the rate was 2.75%) 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, LLC is accounted for as a consolidated subsidiary. Expenses associated with accounts receivable securitization transactions are recorded in “Interest expense” in the condensed consolidated statements of earnings. Additionally, borrowings and repayments associated with these transactions are recorded in “Cash flows from financing activities” in the condensed consolidated statements of cash flows.

Cash flows from our accounts receivable securitization facility decreased $16.0 million. We reduced our net funding by $2.0 million from this facility during the three months ended October 31, 2015 as compared to receiving net funding of $14.0 million from this facility in the prior year period.

Table of Contents

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 October 31, 2015, we had received cash proceeds of $68.0 million related to the securitization of our trade accounts receivable, with no remaining capacity to receive additional proceeds. As of October 31, 2015, the weighted average interest rate was 2.7%. 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.

Common unit repurchase

On November 13, 2015, Ferrellgas Partners repurchased approximately 2.4 million common units from Jamex Marketing, LLC, funded by approximately $45.9 million in proceeds from the secured credit facility.

The operating partnership

The financing activities discussed above also apply to the operating partnership except for the repurchase of common units as discussed above, and cash flows related to distributions, as discussed below.

Distributions

The operating partnership paid cash distributions of $52.5 million and $42.2 million during the three months ended October 31, 2015 and 2014, respectively. On November 13, 2015, the operating partnership distributed $46.8 million and $0.4 million to Ferrellgas Partners and the general partner, respectively, using proceeds from its secured credit facility. Ferrellgas Partners utilized these funds primarily to repurchase approximately 2.4 million common units from Jamex Marketing, LLC. The operating partnership expects to pay cash distributions of $59.2 million on December 15, 2015.

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 agreements, 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 $63.1 million for the three months ended October 31, 2015, 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.

Jamex Marketing, LLC, in connection with a ten-year transportation and logistics agreement, enters into transactions with the operating partnership and its subsidiaries. Bridger provides crude oil logistics services for Jamex Marketing, LLC, including the transportation and storage of crude oil by truck, terminal and pipeline. During the three months ended October 2015, Ferrellgas' total revenues and cost of sales from these transactions were $4.4 million and $0.6 million, respectively. The amounts due from and due to Jamex Marketing, LLC at October 31, 2015, were $1.6 million and $0.3 million, respectively.

See "Liquidity and Capital Resources - Financing Activities - Common unit repurchase" for discussion about the repurchase of common units from Jamex Marketing, LLC.

Related party common unitholder information consisted of the following:

	Common unit ownership at December 1, 2015	Distributions (in thousands) paid during the three months ended October 31, 2015
Ferrell Companies (1)	22,529,361	$11,546
FCI Trading Corp. (2)	195,686	100
Ferrell Propane, Inc. (3)	51,204	26
James E. Ferrell (4)	4,763,475	2,441
James H. Ballengee (5)	7,157,171	4,891

(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. JEF Capital Management owns 4,758,859 of these common units and is wholly-owned by the James E. Ferrell Revocable Trust Two for which James E.

Table of Contents

Ferrell is the trustee and sole beneficiary. The remaining 4,616 common units are held by Ferrell Resources Holdings, Inc., which is wholly-owned by the James E. Ferrell Revocable Trust One, for which James E. Ferrell is the trustee and sole beneficiary.

(5) Jamex Marketing, LLC is the unitholder of record of these common units. Jamex, LLC is the majority member of Jamex Marketing, LLC. Ballengee Interests, LLC is the majority member of Jamex, LLC. James H. Ballengee is the manager of each of Jamex, LLC, Jamex Marketing, LLC and Ballengee Interests, LLC. (On November 13, 2015 Ferrellgas Partners purchased 2.4 million common units from Jamex Marketing.)

During the three months ended October 31, 2015, Ferrellgas Partners and the operating partnership together paid the general partner distributions of $1.1 million.

On December 15, 2015, Ferrellgas Partners expects to pay distributions to Ferrell Companies, FCI Trading Corp., Ferrell Propane, Inc., James E. Ferrell (indirectly), James H. Ballengee (indirectly), and the general partner of $11.5 million, $0.1 million, $26 thousand, $2.4 million, $3.7 million and $0.5 million, respectively.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We did not enter into any risk management trading activities during the three months ended October 31, 2015. 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. Propane related 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.

Our risk management activities also attempt to mitigate price risks related to the crude oil line fill we have in order to operate within the Pony Express pipeline. We attempt to mitigate these price risks through the use of financial derivative instruments.

Our risk management strategy involves taking positions in the financial markets that are equal to the forecasted line fill volume in order to minimize the risk of inventory price change. This risk management strategy locks in our sales price and is successful when our gains or losses on inventory are offset by our losses or gains in the financial markets. Our crude oil line fill financial derivatives are not designated as cash flow hedges.

Transportation Fuel Price Risk

Our risk management activities also attempt to mitigate price risks related to the purchase of gasoline and diesel fuel for use in the transport of propane from retail fueling stations. We attempt to mitigate these price risks through the use of financial derivative instruments.

Our risk management strategy involves taking positions in the financial markets that are not more than the forecasted purchases of fuel for our internal use in the retail and supply propane delivery fleet in order to minimize the risk of decreased earnings from an adverse price change. This risk management strategy locks in our purchase price and is successful when our gains or losses in the physical product markets are offset by our losses or gains in the financial markets. Our transport fuel financial derivatives are not designated as cash flow hedges.

Table of Contents

Risk Policy and Sensitivity Analysis

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 October 31, 2015 and July 31, 2015, 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 $13.0 million and $11.3 million as of October 31, 2015 and July 31, 2015, 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 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 October 31, 2015, we had $318.2 million in variable rate secured credit facility and collateralized note payable borrowings. We also have an interest rate swap that hedges a portion of the interest rate risk associated with these variable rate borrowings, as discussed in the table below. Thus, assuming a one percent increase in our variable interest rate, our interest rate risk related to these borrowings would result in a reduction to future earnings of $1.4 million for the twelve months ending October 31, 2016. 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 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.

We also manage a portion of our interest rate exposure associated with our fixed rate debt by utilizing an interest rate swap. A hypothetical one percent change in interest rates would result in a reduction to future earnings of $1.4 million for the twelve months ending October 31, 2016.

As discussed above, the following interest rate swaps are outstanding as of October 31, 2015, and are all designated as hedges for accounting purposes:

Term	Notional Amount(s) (in thousands)	Type
May 2021	$140,000	Pay a floating rate and receive a fixed rate of 6.50%

Aug 2018	$175,000 and $100,000	Pay a fixed rate of 1.95% and receive a floating rate

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 October 31, 2015, that our disclosure controls and procedures are effective in achieving that level of reasonable assurance.

During the most recent fiscal quarter ended October 31, 2015, 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.

Table of Contents

Table of Contents

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 and crude oil. As a result, at any given time, we can be 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 the consolidated financial condition, results of operations and cash flows.

We have also been named as a defendant, along with a competitor, in putative class action lawsuits filed in multiple jurisdictions. The complaints, filed on behalf of direct and indirect customers of our tank exchange business, reference the FTC complaint mentioned above. The lawsuits allege that we and a competitor coordinated in 2008 to reduce the fill level in barbeque cylinders and combined to persuade a common customer to accept that fill reduction, resulting in increased cylinder costs to retailers and end-user customers in violation of federal and certain state antitrust laws. The lawsuits seek treble damages, attorneys' fees, injunctive relief and costs on behalf of the putative class. These lawsuits have been consolidated into one case by a multidistrict litigation panel. We believe we have strong defenses to the claims and intend to vigorously defend against the consolidated case. We do not believe loss is probable or reasonably estimable at this time related to the putative class action lawsuit.

In addition, putative class action cases have been filed in California relating to residual propane remaining in the tank after use. We believe we have strong defenses to the claims and intend to vigorously defend against the consolidated case. We do not believe loss is probable or reasonably estimable at this time related to the putative class action lawsuit.

ITEM 1A. RISK FACTORS

The agreement between Bridger Logistics and its largest revenue customer may be impacted if a related supply agreement between the customer and a third party is terminated.

Bridger Logistics has a transportation and logistics agreement with its largest revenue customer pursuant to which it transports crude oil via rail and barge from the Bakken region to the customer's Trainer refinery in Pennsylvania. The crude oil transported by Bridger Logistics under the agreement is supplied by Jamex Marketing, a third party marketing company, pursuant to a separate supply agreement between the marketing company and the refinery customer. The supply agreement may be terminated by either party to the supply agreement if there is a default and that default is not cured within the applicable cure period. The transportation and logistics agreement between Bridger Logistics and the refinery customer may be impacted if the supply agreement between Jamex Marketing and the refinery customer is terminated. We do not have any control over the parties to the supply agreement, including any control over any actions or omissions by either party that could result in a right to terminate the supply agreement. If the transportation and logistics agreement between Bridger Logistics and the refinery customer is terminated, Bridger Logistics' cash flows would be adversely affected.

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.

Table of Contents

ITEM 5. OTHER INFORMATION

None.

Table of Contents

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
+ 2.1	Purchase and Sale Agreement, dated May 29, 2015, by and between Ferrellgas Partners, L.P. and Bridger, L.L.C. Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed June 1, 2015.
3.1	Incorporated by reference to Exhibit 3.1 to our Annual Report on Form 10-K filed September 29, 2015.
3.2	Incorporated by reference to Exhibit 3.2 to our Annual Report on Form 10-K filed September 29, 2015.
3.3	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.
3.4	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.
3.5	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.
3.6	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.
3.7	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.
3.8	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.
3.9	Incorporated by reference to Exhibit 3.9 to our Annual Report on Form 10-K filed September 29, 2015.
3.10	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.
3.11	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.

3.12	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, by and among Ferrellgas, L.P., Ferrellgas Finance Corp. and U.S. Bank National Association, as trustee, relating to $475 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, by and 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, by and 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 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 4.6 to our Annual Report on Form 10-K filed September 29, 2014.

Table of Contents

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 4.7 to our Annual Report on Form 10-K filed September 29, 2014.
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 4.8 to our Annual Report on Form 10-K filed September 29, 2014.
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	Indenture, dated June 8, 2015, by and among Ferrellgas, L.P., Ferrellgas, Finance Corp. the subsidiary guarantors party thereto, and U.S. Bank National Association, as trustee, relating to $500 million aggregate amount of the Registrant's 6 3/4% Senior Notes due 2023. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed June 8, 2015.
4.11	Registration Rights Agreement, dated as of June 8, 2015, by and among Ferrellgas, L.P., Ferrellgas Finance Corp. and J.P. Morgan Securities L.L.C., as representative of the several initial purchasers. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed June 8, 2015
4.12	Registration Rights Agreement, dated as of June 24, 2015 among Ferrellgas Partners, L.P., Jamex Marketing, LLC, Rios Holdings, Inc. and Gamboa Enterprises, LLC. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed June 24, 2015.
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 Annual Report on Form 10-K filed September 29, 2014.
10.2	Amendment No. 1 to Credit Agreement dated as of September 23, 2011, by and 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	Amendment No. 2 to Credit Agreement dated as of October 21, 2013, by and 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	Amendment No. 3 to Credit Agreement dated as of June 6, 2014, by and 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 June 9, 2014.
10.5	Amendment No. 4 to Credit Agreement and Amendment No. 2 to Security Agreement, dated as of May 29, 2015, by and 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 10.5 to our Current Report on Form 8-K filed June 9, 2015.
10.6	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.
10.7	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.
10.8	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.
# 10.9	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.
# 10.10	Ferrell Companies, Inc. 1998 Incentive Compensation Plan, as amended and restated effective October 11, 2004. Incorporated by reference to Exhibit 10.9 to our Annual Report on Form 10-K filed September 29, 2014.
# 10.11	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.
# 10.12	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 10.11 to our Annual Report on Form 10-K filed September 29, 2014.
# 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 10.13 to our Annual Report on Form 10-K filed September 29, 2014.

Table of Contents

#	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 10.14 to our Annual Report on Form 10-K filed September 29, 2014.
#	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 10.15 to our Annual Report on Form 10-K filed September 29, 2014.
#	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 10.16 to our Annual Report on Form 10-K filed September 29, 2014.
#	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. Incorporated by reference to Exhibit 10.18 to our Annual Report on Form 10-K filed September 29, 2014.
#	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.
	10.21	Membership interest purchase agreement dated May 1, 2014, among Ferrellgas, L.P. and the former members of Sable Environmental LLC and Sable SWD 2 LLC. Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed May 1, 2014.
	10.22	Agreement and Release dated as of January 27, 2015 by and between Ferrellgas, Inc. as the company and J. Ryan VanWinkle as the executive. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed January 28, 2015.
* #	10.23	Ferrell Companies, Inc. 2015 Deferred Appreciation Rights Plan, dated as of July 31, 2015.
	10.24	Employment agreement dated as of July 1, 2015 by and between Ferrellgas, Inc. as the company and Alan C. Heitmann as the executive. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed June 24, 2015.
*	10.25	Employment agreement dated as of May 29, 2015 by and between Ferrellgas, Inc. as the company and Julio E. Rios, IIas the executive.
*	10.26	Employment agreement dated as of May 29, 2015 by and between Ferrellgas, Inc. as the company and Jeremy H. Gamboa as the executive.
*	10.27	Employment agreement dated as of May 28, 2015 by and between Ferrellgas, Inc. as the company and Thomas M. Van Buren as the executive.
* @	10.28	Transportation Logistics Agreement, dated May 29, 2015, by and between Ferrellgas Partners, L.P. and Bridger, L.L.C.
#	10.29	Agreement and Release dated as of October 21, 2015 by and between Ferrellgas, Inc., Ferrell Companies, Inc., Ferrellgas Partners, L.P., Ferrellgas, L.P. and Boyd H. McGathey as the executive. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed October 22, 2015.
*	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.

Table of Contents

*	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.
@	Exhibits and Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A list of these Exhibits and Schedules is included in the index of each Purchase and Sale Agreement. Ferrellgas agrees to furnish a supplemental copy of any such omitted Exhibit or Schedule to the SEC upon request.
+	Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the SEC.

Table of Contents

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: December 9, 2015	By /s/ Alan C. Heitmann Alan C. Heitmann Executive Vice President; Chief Financial Officer; Treasurer (Principal Financial and Accounting Officer)
	FERRELLGAS PARTNERS FINANCE CORP.
Date: December 9, 2015	By /s/ Alan C. Heitmann Alan C. Heitmann Chief Financial Officer and Sole Director
	FERRELLGAS, L.P. By Ferrellgas, Inc. (General Partner)
Date: December 9, 2015	By /s/ Alan C. Heitmann Alan C. Heitmann Executive Vice President; Chief Financial Officer; Treasurer (Principal Financial and Accounting Officer)
	FERRELLGAS FINANCE CORP.
Date: December 9, 2015	By /s/ Alan C. Heitmann Alan C. Heitmann Chief Financial Officer and Sole Director