

FERRELLGAS PARTNERS L P

Form 10-K

September 28, 2017

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

Form 10-K

(Mark One)

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

For the fiscal year ended July 31, 2017

or

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, 333-06693-02, 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

(Address of principal executive office)

Registrants' telephone number, including area code:

(913) 661-1500

66210

(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered

Common Units of Ferrellgas Partners, L.P. New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:

None.

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

Ferrellgas Partners, L.P.: Yes  No

Ferrellgas Partners Finance Corp., Ferrellgas, L.P. and Ferrellgas Finance Corp.: Yes  No

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Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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Ferrellgas Partners,  
L.P.:

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company o	Emerging growth company o
Ferrellgas Partners Finance Corp, Ferrellgas, L.P. and Ferrellgas Finance Corp.:				
Large accelerated filer o	Accelerated filer o	Non-accelerated filer x (do not check if a smaller reporting company)	Smaller reporting company o	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

The aggregate market value as of January 31, 2017, of Ferrellgas Partners, L.P.'s common units held by nonaffiliates of Ferrellgas Partners, L.P., based on the reported closing price of such units on the New York Stock Exchange on such date, was approximately \$560,798,162. There is no aggregate market value of the common equity of Ferrellgas Partners Finance Corp., Ferrellgas, L.P. and Ferrellgas Finance Corp. as their common equity is not sold or traded.

At August 31, 2017, the registrants had common units or shares of common stock outstanding as follows:

Ferrellgas Partners, L.P.	97,152,665	Common Units
Ferrellgas Partners Finance Corp.	1,000	Common Stock
Ferrellgas, L.P.	n/a	n/a
Ferrellgas Finance Corp.	1,000	Common Stock

Documents Incorporated by Reference: None

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

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

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PART I

Introductory Statement

In this Annual Report on Form 10-K, unless the context indicates otherwise:

“us,” “we,” “our,” “ours,” “consolidated,” or “Ferrellgas” are references exclusively to Ferrellgas Partners, L.P. together with its consolidated subsidiaries, including Ferrellgas Partners Finance Corp., Ferrellgas, L.P. and Ferrellgas Finance Corp., except when used in connection with “common units,” in which case these terms refer to Ferrellgas Partners, L.P. without its consolidated subsidiaries;

“Ferrellgas Partners” refers to Ferrellgas Partners, L.P. itself, without its consolidated subsidiaries;

the “operating partnership” refers to Ferrellgas, L.P., together with its consolidated subsidiaries, including Ferrellgas Finance Corp.;

our “general partner” refers to Ferrellgas, Inc.;

“Ferrell Companies” refers to Ferrell Companies, Inc., the sole shareholder of our general partner;

“unitholders” refers to holders of common units of Ferrellgas Partners;

“retail sales” refers to Propane and other gas liquid sales: Retail — Sales to End Users or the volume of propane sold primarily to our residential, industrial/commercial and agricultural customers;

“wholesale sales” refers to Propane and other gas liquid sales: Wholesale — Sales to Resellers or the volume of propane sold primarily to our portable tank exchange customers and bulk propane sold to wholesale customers;

“other gas sales” refers to Propane and other gas liquid sales: Other Gas Sales or the volume of bulk propane sold to other third party propane distributors or marketers and the volume of refined fuel sold;

“propane sales volume” refers to the volume of propane sold to our retail sales and wholesale sales customers;

• “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 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;

• “Jamex” refers to Jamex Marketing, LLC;

• “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;

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

• “MBbls/d” refers to one thousand barrels per day.

#### 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,”

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“believe,” “intend,” “plan,” “projection,” “forecast,” “strategy,” “position,” “continue,” “estimate,” “expect,” “may,” “will,” or 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. Some of the risk factors that may affect our business, financial condition or results of operations include:

- the effect of weather conditions on the demand for propane;
- the prices of wholesale propane, motor fuel and crude oil;
- disruptions to the supply of propane;
- competition from other industry participants and other energy sources;
- energy efficiency and technology advances;
  - the termination or non-renewal of certain arrangements or agreements;
- adverse changes in our relationships with our national tank exchange customers;
- significant delays in the collection of accounts or notes receivable;
- customer, counterparty, supplier or vendor defaults;
- changes in demand for, and production of, hydrocarbon products;
  - capacity overbuild of midstream energy infrastructure in our midstream operational areas;
- disruptions to railroad operations on the railroads we use;
- increased trucking and rail regulations;
- cost increases that exceed contractual rate increases for our logistics services;
- inherent operating and litigation risks in gathering, transporting, handling and storing propane and crude oil;
- our inability to complete acquisitions or to successfully integrate acquired operations;
- costs of complying with, or liabilities imposed under, environmental, health and safety laws;
- the impact of pending and future legal proceedings;
- the interruption, disruption, failure or malfunction of our information technology systems including due to cyber attack;
- the impact of changes in tax law that could adversely affect the tax treatment of Ferrellgas Partners for federal income tax purposes;
- economic and political instability, particularly in areas of the world tied to the energy industry; and
- disruptions in the capital and credit markets.

When considering any forward-looking statement, you should also keep in mind the risk factors set forth in “Item 1A. Risk Factors.” Any of these risks could impair our business, financial condition or results of operations. Any such impairment may affect our ability to make distributions to our unitholders or pay interest on the principal of any of our debt securities. In addition, the trading price 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 Annual Report on Form 10-K.

ITEM 1. BUSINESS.

Overview

Ferrellgas Partners, L.P. is a publicly traded Delaware limited partnership formed in 1994 and is primarily engaged in:

the retail distribution of propane and related equipment sales, and  
midstream operations.

Our common units are listed on the New York Stock Exchange under the ticker symbol "FGP", and our activities are primarily conducted through our operating partnership, Ferrellgas, L.P., a Delaware limited partnership. We are the sole limited partner of Ferrellgas, L.P. with an approximate 99% limited partner interest.



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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 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 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, currently beneficially owns approximately 23.4% of our outstanding common units. Ferrell Companies is owned 100% by an employee stock ownership trust.

In fiscal 2017, no one customer accounted for 10% or more of our consolidated revenues.

### Financial covenants

As more fully described in Item 7. Management's Discussion and Analysis under the subheading "Financial Covenants", the indenture governing the outstanding notes of Ferrellgas Partners and the agreements governing the operating partnership's indebtedness contain various covenants that limit our ability to, among other things, incur additional indebtedness and make distribution payments to our common unitholders. Given the limitations and the lack of headroom on these covenants, we continue to execute on a strategy to reduce our debt and interest expense. If we are unsuccessful with our strategy to reduce debt and interest expense, or are unsuccessful in renegotiating our secured credit facility, which matures in October 2018, or are unable to secure alternative liquidity sources, we may not have the liquidity to fund our operations after that maturity date.

### Our Businesses

#### Propane operations and related equipment sales

We are a leading distributor of propane and related equipment and supplies to customers in the United States. We believe that we are the second largest retail marketer of propane in the United States as measured by the volume of our retail sales in fiscal 2017 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. Sales from propane distribution are generated principally from transporting propane purchased from third parties to propane distribution locations and then to tanks on customers' premises or to portable propane tanks delivered to nationwide and local retailers. Sales from portable tank exchanges, nationally branded under the name Blue Rhino, are generated through a network of independent and partnership-owned distribution outlets. Our market areas for our residential and agricultural customers are generally rural while our market areas for our industrial/commercial and portable tank exchange customers are generally urban.

In the residential and industrial/commercial markets, propane is primarily used for space heating, water heating, cooking and other propane fueled appliances. In the portable tank exchange market, propane is used primarily for outdoor cooking using gas grills. In the agricultural market, propane is primarily used for crop drying, space heating, irrigation and weed control. In addition, propane is used for a variety of industrial applications, including as an engine

fuel burned in the internal combustion engines of vehicles and forklifts and as a heating or energy source in manufacturing and drying processes.

A substantial majority of our gross margin from propane and other gas liquids sales is derived from the distribution and sale of propane and related risk management activities. Our gross margin from the retail distribution of propane is primarily based on the cents-per-gallon difference between the sales price we charge our customers and our costs to purchase and deliver propane to our propane distribution locations.

The distribution of propane to residential customers generally involves large numbers of small volume deliveries. Our retail deliveries of propane are typically transported from our retail propane distribution locations to our customers by our fleet of bulk delivery trucks, which are generally fitted with tanks ranging in size from 2,600 to 3,500 gallons. Propane storage tanks located on our customers' premises are then filled from these bulk delivery trucks. We also deliver propane to our industrial/commercial and portable tank exchange customers using our fleet of portable tank and portable tank exchange delivery trucks, truck tractors and portable tank exchange delivery trailers.

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We track “Propane sales volumes,” “Revenues – Propane and other gas liquids sales” and “Gross Margin – Propane and other gas liquids sales” by customer; however, we are not able to specifically allocate operating and other costs by customer in a manner that would determine their specific profitability with a high degree of accuracy. The wholesale propane price per gallon is subject to various market conditions, including inflation, and may fluctuate based on changes in demand, supply and other energy commodity prices, primarily crude oil and natural gas, as propane prices tend to correlate with the fluctuations of these underlying commodities.

As of July 31, 2017, approximately 51% of our residential customers rent their tanks from us. Our rental terms and the fire safety regulations in some states require rented bulk tanks to be filled only by the propane supplier owning the tank. The cost and inconvenience of switching bulk tanks helps minimize a customer’s tendency to switch suppliers of propane on the basis of minor variations in price, helping us minimize customer loss.

In addition, we lease tanks to some of our independent distributors involved with our delivery of propane for portable tank exchanges. Our owned and independent distributors provide portable tank exchange customers with a national delivery presence that is generally not available from most of our competitors.

In our past three fiscal years, our total annual propane sales volumes in gallons were:

Fiscal year ended	Propane sales volumes (in millions)
July 31, 2017	791
July 31, 2016	779
July 31, 2015	879

We utilize marketing programs targeting both new and existing customers by emphasizing:

- our efficiency in delivering propane to customers;
- our employee training and safety programs;
- our enhanced customer service, facilitated by our technology platform and our 24 hours a day, seven days a week emergency retail customer call support capabilities; and
- our national distributor network for our commercial and portable tank exchange customers.

Some of our propane distribution locations also conduct the retail sale of propane appliances and related parts and fittings, as well as other retail propane related services and consumer products. We also sell gas grills, grilling tools and accessories, patio heaters, fireplace and garden accessories, mosquito traps and other outdoor products through Blue Rhino Global Sourcing, Inc.

Our other activities in our propane operations and related equipment sales segment include the following:

- the sale of refined fuels, and
- common carrier services.

### Effect of Weather and Seasonality

Weather conditions have a significant impact on demand for propane for heating purposes 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 in the winter heating season will tend to result in reduced propane usage, while sustained colder-than-normal temperatures in the winter heating season 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 also significantly impact 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 for heating purposes to increase which could lead to greater sales, income and liquidity availability. Conversely, if the United States were to experience a continued warming trend, we could expect nationwide demand for propane for heating purposes to decrease which could lead to a reduction in our sales, income and liquidity availability as well as impact our ability to maintain compliance with our debt covenants.

The market for propane is seasonal because of increased demand during the winter heating season primarily for the purpose of providing heating in residential and commercial buildings. Consequently, sales and operating profits are concentrated in our

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second and third fiscal quarters, which are during the winter heating season. However, our propane by portable tank exchange business experiences higher volumes in the spring and summer, which include the majority of the grilling season. These volumes add to our operating profits during our first and fourth fiscal quarters due to those counter-seasonal business activities. These sales also provide us the ability to better utilize our seasonal resources at our propane distribution locations. Other factors affecting our results of operations include competitive conditions, volatility in energy commodity prices, demand for propane, timing of acquisitions and general economic conditions in the United States.

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

We believe that our broad geographic distribution helps us reduce exposure to regional weather and economic patterns. During times of colder-than-normal winter weather, we have been able to take advantage of our large, efficient distribution network to avoid supply disruptions, thereby providing us a competitive advantage in the markets we serve.

### Risk Management Activities – Commodity Price Risk

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 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. Our propane related financial derivatives are designated as cash flow hedges.

Our risk management activities may include the use of financial derivative instruments including, but not limited to, swaps, options, and futures 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 Intercontinental Exchange or the Chicago 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 accounting principles generally accepted in the United States (“GAAP”) and are therefore not recorded on our financial statements until settled.

Through our supply procurement activities, we purchase propane primarily from energy companies. Supplies of propane from these sources have traditionally been readily available, although no assurance can be given that they will be readily available in the future. We may purchase and store inventories of propane to avoid delivery interruptions during the periods of increased demand and to take advantage of favorable commodity prices. As a result of our ability to buy large volumes of propane and utilize our national distribution system, we believe we are in a position to achieve product cost savings and avoid shortages during periods of tight supply to an extent not generally available to other propane distributors. During fiscal 2017, seven suppliers accounted for approximately 67% of our total propane

purchases. Because there are numerous alternative suppliers available, we do not believe it is reasonably possible that this supplier concentration could cause a near-term severe impact on our ability to procure propane, though propane prices could be affected; however, if supplies were interrupted or difficulties in obtaining alternative transportation were to arise, the cost of procuring replacement supplies may materially increase. These transactions are accounted for at cost in “Cost of product sold – propane and other gas liquids sales” in our consolidated statement of earnings.

A portion of our propane inventory is purchased under supply contracts that typically have a one-year term and a price that fluctuates based on spot market prices. In order to limit overall price risk, we will enter into fixed price over-the-counter propane forward and/or swap contracts that generally have terms of less than 36 months. We may also use options to hedge a portion of our forecasted purchases, which generally do not exceed 36 months in the future.

We also incur risks related to the price and availability of propane during periods of much colder-than-normal weather, temporary supply shortages concentrated in certain geographic regions and commodity price distortions between geographic regions. We attempt to mitigate these risks through our transportation activities by utilizing our transport truck and railroad tank car fleet to distribute propane between supply or storage locations and propane distribution locations. The propane we sell to our

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customers is generally transported from gas processing plants and refineries, pipeline terminals and storage facilities to propane distribution locations or storage facilities by our leased railroad tank cars, our owned or leased highway transport trucks, common carrier, or owner-operated transport trucks.

### Industry

Natural gas liquids are derived from petroleum products and are sold in compressed or liquefied form. Propane, the predominant natural gas liquid, is typically extracted from natural gas or separated during crude oil refining. Although propane is gaseous at normal pressures, it is compressed into liquid form at relatively low pressures for storage and transportation. Propane is a clean-burning energy source, recognized for its transportability and ease of use relative to alternative forms of stand-alone energy sources.

Based upon industry publications propane accounts for approximately 3% to 4% of energy consumption in the United States, a level which has remained relatively constant for the past two decades. Propane competes primarily with natural gas, electricity and fuel oil as an energy source principally on the basis of price, availability and portability. Propane serves as an alternative to natural gas in rural and urban areas where natural gas is unavailable or portability of product is required. Propane is generally more expensive than natural gas on an equivalent British Thermal Unit (“BTU”) basis in locations served by natural gas, although propane is often sold in such areas as a standby fuel for use during peak demands and during interruption in natural gas service. The expansion of natural gas into traditional propane markets has historically been inhibited by the capital costs required to expand distribution and pipeline systems. Although the extension of natural gas pipelines tends to displace propane distribution in the neighborhoods affected, we believe that new opportunities for propane sales arise as more geographically remote neighborhoods are developed.

Propane has historically been less expensive to use than electricity for space heating, water heating and cooking and competes effectively with electricity in the parts of the country where propane is less expensive than electricity on an equivalent BTU basis. Although propane is similar to fuel oil in application, market demand and price, propane and fuel oil have generally developed their own distinct geographic markets. Because residential furnaces and appliances that burn propane will not operate on fuel oil, a conversion from one fuel to the other requires the installation of new equipment. Residential propane customers will have an incentive to switch to fuel oil only if fuel oil becomes significantly less expensive than propane. Conversely, we may be unable to expand our retail customer base in areas where fuel oil is widely used, particularly the northeast United States, unless propane becomes significantly less expensive than fuel oil. However, many industrial customers who use propane as a heating fuel have the capacity to switch to other fuels, such as fuel oil, on the basis of availability or minor variations in price.

### Risk Management Activities – Transportation Fuel Price Risk

From time to time, we employ risk management activities that attempt to mitigate price risks related to the purchase of gasoline and diesel fuel for use in the transport of propane from supply or storage locations and from retail fueling stations. When employed, we attempt to mitigate these price risks through the use of financial derivative instruments.

When employed, 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 both the supply and retail 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.

### Competition

In addition to competing with marketers of other fuels, we compete with other companies engaged in the propane distribution business. Competition within the propane distribution industry stems from two types of participants: the larger, multi-state marketers, including farmers' cooperatives, and the smaller, local independent marketers, including rural electric cooperatives. Based on our propane sales volumes in fiscal 2017, we believe that we are the second largest retail marketer of propane in the United States and a leading national provider of propane by portable tank exchange.

Most of our retail propane distribution locations compete with three or more marketers or distributors, primarily on the basis of reliability of service and responsiveness to customer needs, safety and price. Each retail distribution outlet operates in its own competitive environment because propane marketers typically reside in close proximity to their customers to lower the cost of providing service.

#### Business Strategy

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Our business strategy for this segment is to:

- Expand our operations through disciplined acquisitions and internal growth, as accretive opportunities become available;
- Capitalize on our national presence and economies of scale; and
- Maximize operating efficiencies through utilization of our technology platform.

Expand our operations through disciplined acquisitions and internal growth, as accretive opportunities become available

We expect to continue the expansion of our propane customer base through both the acquisition of other propane distributors and through organic growth. We intend to concentrate on propane acquisition activities in geographical areas within or adjacent to our existing operating areas, and on a selected basis in areas that broaden our geographic coverage. We also intend to focus on acquisitions that can be efficiently combined with our existing propane operations to provide an attractive return on investment after taking into account the economies of scale and cost savings we anticipate will result from those combinations.

Our goal is to improve the operations and profitability of our propane operations and related equipment sales segment by integrating best practices and leveraging our established national organization and technology platforms to help reduce costs and enhance customer service. We believe that our enhanced operational synergies, improved customer service and ability to better track the financial performance of operations provide us a distinct competitive advantage and better analysis as we consider future opportunities.

We believe that we are positioned to successfully compete for growth opportunities within and outside of our existing operating regions. Our efforts will focus on adding density to our existing customer base, providing propane and complementary services to national accounts and providing other product offerings to existing customer relationships. This continued expansion will give us new growth opportunities by leveraging the capabilities of our operating platforms.

Capitalize on our national presence and economies of scale

We believe our national presence of 789 propane distribution locations in the United States as of July 31, 2017 gives us advantages over our smaller competitors. These advantages include economies of scale in areas such as:

- product procurement;
- transportation;
- fleet purchases;
- propane customer administration; and
- general administration.

We believe that our national presence allows us to be one of the few propane distributors that can competitively serve industrial/commercial and portable tank exchange customers on a nationwide basis, including the ability to serve such propane customers through leading home-improvement centers, mass merchants and hardware, grocery and convenience stores. In addition, we believe that our national presence provides us opportunities to make acquisitions of other propane distribution companies whose operations overlap with ours, providing economies of scale and significant cost savings in these markets.

We also believe that investments in technology similar to ours require both a large scale and a national presence, in order to generate sustainable operational savings to produce a sufficient return on investment. For these reasons, we believe our national presence and economies of scale provide us with an on-going competitive advantage.

Maximize operating efficiencies through utilization of our technology platform

We believe our significant investments in technology give us a competitive advantage to operate more efficiently and effectively at a lower cost compared to most of our competitors. We do not believe that many of our competitors will be able to justify similar investments in the near term. Our technology advantage has resulted from significant investments made in our retail propane distribution operating platform together with our state-of-the-art tank exchange operating platform.

Our technology platform allows us to efficiently route and schedule our customer deliveries, customer administration and operational workflow for the retail sale and delivery of bulk propane. Our service centers are staffed to provide oversight and management to multiple distribution locations, referred to as service units. We operate a retail distribution network, including portable tank exchange operations, using a structure of 61 service centers and 789 service units as of July 31, 2017. The service unit locations utilize hand-held computers and cellular or satellite technology to communicate with management personnel who

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are typically located at the associated service center. We believe this structure and our technology platform allow us to more efficiently route and schedule customer deliveries and significantly reduce the need for daily on-site management.

The efficiencies gained from operating our technology platform allow us to consolidate our management teams at fewer locations, quickly adjust the sales prices to our customers and manage our personnel and vehicle costs more effectively to meet customer demand.

Our customer support capabilities allow us to accept emergency customer calls 24 hours a day, seven days a week. These combined capabilities provide us cost savings while improving customer service by reducing customer inconvenience associated with multiple, unnecessary deliveries.

### Governmental Regulation - Environmental and Safety Matters

Propane is not currently subject to any price or allocation regulation and has not been defined by any federal environmental law as an environmentally hazardous substance.

In connection with all acquisitions of propane distribution businesses that involve the purchase of real property, we conduct a due diligence investigation to attempt to determine whether any substance other than propane has been sold from, stored on or otherwise come into contact with any such real property prior to its purchase. At a minimum, due diligence includes questioning the sellers, obtaining representations and warranties concerning the sellers' compliance with environmental laws and visual inspections of the real property.

With respect to the sale and distribution of propane, we are subject to regulations promulgated by the Occupational Safety and Health Administration ("OSHA") under its Hazard Communication Standard ("HCS"), which requires preparation and maintenance of material safety data sheets, hazard labeling on products, and other worker protections. In 2012, OSHA promulgated new hazard communications requirements designed to align US HCS standards with those of other countries under a Globally Harmonized System ("GHS"). These hazard labeling and communication changes, which took effect in June 2015, required us and other propane manufacturers and distributors to revise and update our consumer and compliance materials.

With respect to the transportation of propane by truck, we are subject to regulations promulgated under the Federal Motor Carrier Safety Act. These regulations cover the transportation of flammable materials and are administered by the United States Department of Transportation ("DOT"). The National Fire Protection Association Pamphlet No. 58 establishes a national standard for the safe handling and storage of propane. Those rules and procedures have been adopted by us and serve as the industry standard by the states in which we operate.

We believe that we are in material compliance with all governmental regulations and industry standards applicable to environmental and safety matters.

### Midstream operations

We conduct our crude oil logistics operations and related activity, as well as water solutions operations, under our Midstream operations reportable segment.

### Crude oil logistics

Our crude oil logistics operations ("Bridger"), which we operate under the Bridger Logistics tradename, provides domestic crude oil transportation and logistics services with an integrated portfolio of midstream assets connecting

crude oil production in multiple basins in the U.S. to downstream markets. Bridger's truck, pipeline terminal, pipeline and rail assets form a comprehensive, fee-for-service business model, and substantially all of its cash flow is 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 with end markets across North America including a presence in major domestic crude oil basins. The first link in Bridger's integrated value chain is its truck transportation operations. Bridger charges producers and first purchasers of crude oil fees per barrel to transport crude from the wellhead to takeaway outlets, which provide connectivity to end markets and generate additional fee-for-service income. Bridger also owns or controls a number of assets connecting trucked crude volumes to downstream takeaway infrastructure, including pipeline injection terminals, crude storage, rail loading and unloading facilities, new build railcars and pipelines.

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Bridger also engages in the marketing of physical crude oil in the major production basins of the United States. Bridger purchases this crude oil from producers and transports it using a mix of its truck transportation and rail assets as well as terminal and pipeline contracts to the sale point with its customers.

### Termination of Bridger agreement with Jamex Marketing, LLC

As more fully described in Item 7. Management's Discussion & Analysis under the subheading "Termination of Bridger agreement with Jamex Marketing, LLC", on September 1, 2016, Bridger and Ferrellgas entered into a series of agreements with one of its customers which had an adverse, material impact on Bridger's operations.

### Business Strategy

Our current business strategy for this segment is to maximize profitability utilizing existing assets. The continued, sustained decline in the price of crude oil has had a negative impact on domestic crude oil production, and as a result, has had a negative impact on the volumes of crude oil that we transport. We are evaluating all phases of our business in light of these challenges with the goal of operating more efficiently.

We continue to evaluate alternatives to maximize profitability relative to rail car assets previously committed to the Jamex TLA and Bridger's largest customer and our trucking fleet which is currently operating under capacity. We believe this business strategy supports our overall current company strategy of reducing debt and interest expense and improving our leverage ratio.

### Customers

Bridger's customers include crude oil producers, refiners and marketers. Generally, Bridger seeks to enter into long-term contracts to provide logistics services; however, contracts for the transportation of crude oil by truck tend to be terminable on 30 days' notice.

A subsidiary of Bridger has entered into a series of agreements with a subsidiary of a large oil producer in the Permian Basin, to provide truck oil transportation services on a "right of first call" basis within an area of mutual interest covering a significant portion of the Permian Basin in West Texas and New Mexico. The initial term of this agreement ends in 2019, then automatically extends for additional one-year periods during which time it may be terminated upon six months notice.

A subsidiary of Bridger has also entered into a take-or-pay throughput agreement with an entity in connection with one of Bridger's Rockies pipeline terminals, pursuant to which Bridger provides dedicated storage and throughput services to this entity at that pipeline terminal. This agreement is scheduled to terminate in 2019, with automatic annual extensions unless a party gives notice 180 days prior to the renewal date.

A subsidiary of Bridger has also entered into a series of agreements with a subsidiary of a large international oil company for the sale of crude oil. Bridger services this contract by purchasing crude from a variety of oil producers, primarily in the Niobrara region, and transporting it using a mix of its truck transportation and rail assets as well as terminal and pipeline contracts to the sale point with its customer in Cushing, Oklahoma.

### Risk management activities - Crude oil price risk

Our risk management activities attempt to mitigate price risks related to our crude oil line fill and inventory. We may use financial and commodity based derivative contracts to manage the risks produced by changes in the price of crude oil.

Our risk management strategy involves taking positions in the financial markets that are equal and opposite to the forecasted crude oil line fill and inventory 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 line fill or inventory are offset by our losses or gains in the financial markets. Our crude oil financial derivatives are not designated as cash flow hedges.

#### Competition

Bridger faces significant competition, as many entities are engaged in the crude oil logistics business, some of which have greater financial resources than we do. Bridger's ability to compete could be harmed by factors that it cannot control, including:

- the perception that another company can provide better service;

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the availability of crude oil alternative supply points, or crude oil supply points located closer to the operations of its customers; and  
a decision by its competitors to develop, acquire or construct crude oil midstream assets and provide gathering, transportation, terminalling or storage services in geographic areas, or to customers, served by Bridger's assets and services.

### Governmental Regulation - Environmental and Safety Matters

Bridger's crude oil logistics operations are subject to stringent federal, state and local laws and regulations relating to the discharge of materials into the environment or otherwise relating to protection of the environment. As with the midstream industry generally, compliance with current and anticipated environmental laws and regulations increases its overall cost of business, including its capital costs to construct, maintain and upgrade equipment and facilities. Failure to comply with these laws and regulations may result in the assessment of significant administrative, civil and criminal penalties, the imposition of investigatory and remedial liabilities, and even the issuance of injunctions that may restrict or prohibit some or all of its operations. We believe that Bridger's operations are in substantial compliance with applicable laws and regulations. However, environmental laws and regulations are subject to change, resulting in potentially more stringent requirements, and we cannot provide any assurance that the cost of compliance with current and future laws and regulations will not have a material adverse effect on the results of operations or earnings associated with the Bridger's business.

In December 2014, the United States Environmental Protection Agency ("EPA") proposed lowering the National Ambient Air Quality Standard ("NAAQS") from the current 75 parts per billion ("PPB") level to between 65 and 70 PPB using an 8-hour average. On October 26, 2015, the EPA published its final rule lowering the ozone NAAQS to 70 PPB. This change could significantly expand the number of areas and counties deemed to be in nonattainment with federal ozone standards, and could force states to impose additional emissions controls on oil, gas and other industrial sectors.

In May 2015, the DOT issued final rules for oil-by-rail transportation requiring that certain older tank cars be phased out of operation and that new tank cars comply with certain design requirements. All tank cars built after October 1, 2015 must meet these new standards. DOT-111 tank cars must be retrofitted or replaced in accordance with a risk-based timeline starting on January 1, 2017 and CPC-1232 tank cars without insulating jackets must be retrofitted or replaced by April 1, 2020. Furthermore, in December 2015, President Obama signed into law the Fixing America's Surface Transportation Act, or FAST Act, which requires all tank cars to be upgraded by the DOT's deadlines regardless of train composition. We estimate that it will cost approximately \$30.0 million to bring Bridger's tank cars into compliance with the new standards.

The Federal Water Pollution Control Act of 1972, as amended, also known as the "Clean Water Act," the Safe Drinking Water Act, the Oil Pollution Act and analogous state laws and regulations promulgated thereunder impose restrictions and strict controls regarding the unauthorized discharge of pollutants, including produced waters and other gas and oil wastes, into navigable waters of the United States, as well as state waters. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or the state. The Clean Water Act and regulations implemented thereunder also prohibit the discharge of dredge and fill material into regulated waters, including jurisdictional wetlands, unless authorized by an appropriately issued permit by the U.S. Army Corps of Engineers, ("Corps"). On June 29, 2015, the EPA and the Corps jointly promulgated final rules redefining the scope of the jurisdiction of the EPA and the Corps over wetlands and other waters protected under the Clean Water Act. The rules have been challenged in court on the grounds that they unlawfully expand the reach of Clean Water Act programs, and implementation of the rule has been stayed pending resolution of the court challenge. Further, on February 28, 2017, President Trump signed an executive order directing the relevant executive agencies to review the rules and to initiate rulemaking to rescind or revise them, as appropriate under the stated policies of protecting

navigable waters from pollution while promoting economic growth, reducing uncertainty, and showing due regard for Congress and the states. On June 27, 2017, the EPA and the Corps announced a proposed rule to rescind the 2015 rules. To the extent the rule is not rescinded and expands the range of properties subject to the Clean Water Act's jurisdiction, certain oil and gas companies could face increased costs and delays with respect to obtaining permits for dredge and fill activities in wetland areas. In addition, the process for obtaining permits has the potential to delay the development of natural gas and oil projects. Also, spill prevention, control and countermeasure plan requirements under federal law require appropriate containment berms and similar structures to help prevent the contamination of navigable waters. Noncompliance with these requirements may result in substantial administrative, civil and criminal penalties, as well as injunctive obligations.

The Federal Clean Air Act, or CAA, as amended, and analogous state and local laws and regulations restrict the emission of air pollutants, and impose permit requirements and other obligations. Regulated emissions occur as a result of our operations, including the handling or storage of crude oil and other petroleum products. Both federal and state laws impose substantial penalties for violation of these applicable requirements. Accordingly, our failure to comply with these requirements could subject



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us to monetary penalties, injunctions, conditions or restrictions on operations, revocation or suspension of necessary permits and, potentially, criminal enforcement actions.

In addition, the EPA has developed, and continues to develop, stringent regulations governing emissions of air pollutants at specified sources. On August 16, 2012, the EPA published final rules that subject oil and natural gas production, processing, transmission, and storage operations to regulation under the New Source Performance Standards (“NSPS”) and National Emission Standards for Hazardous Air Pollutants programs. The rule seeks to achieve a 95% reduction of VOC emissions. On May 12, 2016, the EPA amended the NSPS to impose new standards for methane and VOC emissions for certain new, modified, and reconstructed equipment, processes, and activities across the oil and natural gas sector. However, in a March 28, 2017 executive order, President Trump directed the EPA to review the 2016 regulations and, if appropriate, to initiate a rulemaking to rescind or revise them consistent with the stated policy of promoting clean and safe development of the nation’s energy resources, while at the same time avoiding regulatory burdens that unnecessarily encumber energy production. On June 16, 2017, the EPA published a proposed rule to stay for two years certain requirements that were subject to reconsideration, including fugitive emission requirements. These standards, to the extent implemented, as well as any future laws and their implementing regulations, may require us to obtain pre-approval for the expansion or modification of existing facilities or the construction of new facilities expected to produce air emissions, impose stringent air permit requirements, or mandate the use of specific equipment or technologies to control emissions. The need to obtain permits has the potential to delay the development of oil and natural gas projects, and our failure to comply with these requirements could subject us to monetary penalties, injunctions, conditions or restrictions on operations and, potentially, criminal enforcement actions.

## Water solutions

Our water solutions operations (“Water solutions”) generate revenues from treatment and disposal of salt water generated from crude oil production operations at our salt water disposal wells and from the sale of recovered crude oil from our skimming oil process. Our facilities are located near oil and gas production fields with high levels of crude oil and natural gas in the Eagle Ford Basin in Texas.

Our current strategy for our Water solutions business is to generate positive, future cash flows and generate organic growth by strategically leveraging assets in other lines of business, where appropriate. If we are unable to generate positive, future cash flows, we may consider other alternatives for this business including selling some or all of the business or business assets, temporarily idling facilities or permanently closing facilities. This could lead to future, material impairments or losses of long-lived assets.

## Permits and Regulatory Compliance

We operate salt water disposal facilities in the Eagle Ford shale region of south Texas. Each of these facilities is permitted to inject non-hazardous oil and gas waste into an Underground Injection Control (“UIC”) Class II disposal well. These wells have been drilled in certain acceptable geologic formations far below the base of underground sources of fresh water to a point that is safely separated by other substantial geological confining layers according to environmental laws that are administered under the auspices of the federal government or states with primacy.

Because the major component of this business is the disposal of oil and gas field residual salt water in an environmentally sound manner, a significant amount of our capital expenditures in this segment are related, either directly or indirectly, to environmental protection measures, including compliance with federal, state and local provisions that regulate the placement of oilfield residual salt water into the environment. There are costs associated with siting, design, operations, monitoring, site maintenance, corrective actions, financial assurance, and facility closure and post-closure obligations.

In connection with our acquisition, development or expansion of a Class II injection facility or transfer station, we must often spend considerable time, effort and money to obtain or maintain required permits and approvals. There are no assurances that we will be able to obtain or maintain required governmental approvals. Once obtained, operating permits are subject to renewal, modification, suspension or revocation by the issuing agency. Compliance with current and any future regulatory requirements could require us to make significant capital and operating expenditures. However, most of these expenditures would impact the entire industry and, accordingly, would not be expected to place us at any competitive disadvantage.

#### Governmental Regulation - Environmental and Safety Matters

Like the customers we service, our water solutions business is subject to extensive, complex and evolving federal, state and local environmental, health, safety and transportation laws and regulations that can affect the cost, manner, feasibility or timing of doing business. These laws and regulations are administered by the EPA and various other federal, state and local environmental,

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zoning, transportation, land use, health and safety agencies in the United States. The Texas Railroad Commission ("RRC") is the principal state agency that regulates our water solutions business in Texas.

Many of these agencies regularly examine and inspect our operations to monitor compliance with these laws and regulations and have the power to enforce compliance, obtain injunctions or impose civil or criminal penalties in case of violations. In recent years, the oil and gas industry that we serve has perceived an increase in both the amount of government regulation and the number of enforcement actions being brought by regulatory entities against operations in related industries. These increases in regulatory oversight can affect both the demand for our services and our ability to supplying services at an economically viable level.

The principal United States federal environmental, safety and health statutes affecting our business are summarized below. While the EPA retains oversight authority, in most cases the state of Texas has primary authority to administer regulatory and enforcement programs under each of these statutes, their state analogues and other state laws. The RRC has primary regulatory jurisdiction over the oil and natural gas industry and related industry sectors. Accordingly, the RRC is the principal state regulator of our water solutions business. Meanwhile, the Texas Commission on Environmental Quality is the principal state environmental regulator for virtually every other industry in the state, including industries that may have an effect on our business.

The Safe Drinking Water Act ("SDWA") is the primary statute that governs injection wells. The SDWA requires the EPA to protect underground sources of drinking water ("USDW") from being endangered as a result of underground injection of fluids through a well. The EPA has promulgated standards by setting minimum requirements for injection wells, including Class II injection wells such as those owned and operated by us. The Underground Injection Control ("UIC") provisions of the SDWA and implementing regulations control the construction, operation, permitting, and closure of injection wells that place fluids underground for storage or disposal. All injection must be authorized under either general or specific permits. Injection well owners and operators may not site, construct, operate, maintain, convert, plug, abandon, or conduct any other injection activity that endangers USDWs.

The SDWA allows a state to obtain primacy from the EPA for oil and gas related injection wells, either by adopting the federal UIC requirements or, under some circumstances without adopting the complete set of applicable federal UIC regulations. The state must be able to demonstrate that its existing regulatory program is protecting USDWs in that state, even if the regulations may not be as stringent as federal rules. Presently, at least 40 states, including Texas, have primacy approval from the EPA to regulate Class II injection wells for the disposal of oil and gas produced and flowback water. Requirements in primacy states may differ from and be more stringent than federal requirements.

Certain states, including Texas, have adopted, and other states are considering adopting, regulations that could impose more stringent permitting, public disclosure, and well construction requirements on underground injection wells and/or hydraulic fracturing operations or otherwise seek to ban such activities altogether. For example, on October 28, 2014, the RRC adopted disposal well rule amendments designed, amongst other things, to require applicants for new disposal wells that will receive non-hazardous produced water and hydraulic fracturing flowback fluid to conduct seismic activity searches utilizing the U.S. Geological Survey. The searches are intended to determine the potential for earthquakes within a circular area of 100 square miles around a proposed, new disposal well. The disposal well rule amendments, which became effective on November 17, 2014, also clarify the RRC's authority to modify, suspend or terminate a disposal well permit if scientific data indicates a disposal well is likely to contribute to seismic activity.

The Occupational Safety and Health Act of 1970, as amended, establishes certain employer responsibilities, including maintenance of a workplace free of recognized hazards likely to cause death or serious injury, compliance with standards promulgated by the Occupational Safety and Health Administration ("OSHA"), and various reporting and record keeping obligations, as well as disclosure and procedural requirements. Various standards for notices of hazards, safety in excavation and demolition work and the handling of asbestos, apply to our midstream operations. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), or the Superfund law, and comparable state laws impose strict liability, without regard to fault or legality of the activity at the time, on certain classes of persons. These persons include current owners or operators of the site where a release of hazardous substances occurred, prior owners or operators that owned or operated the site at the time of the release of hazardous

substances, and persons that disposed of or arranged for the disposal of hazardous substances found at the site. Under CERCLA, persons deemed "responsible persons" may be subject to joint and several liability for the costs of investigating and cleaning up hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act

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in response to threats to the public health or the environment and to seek to recover the costs they incur from the responsible classes of persons. In addition, neighboring landowners and other third parties may file claims under common law for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment.

The federal Resource Conservation and Recovery Act of 1976 (“RCRA”), as amended, regulates the management and disposal of solid and hazardous waste. Some wastes associated with the exploration and production of oil and natural gas are exempted from more stringent regulation as “hazardous wastes” under the subtitle C of RCRA in certain circumstances. Wastes that may fall under this exemption include drilling fluids, produced waters and other wastes associated with the exploration, development or production of oil and natural gas. However, these exempt wastes may still be regulated under other federal and state laws. Further, the exemption does not cover all materials that may be used at an oil and gas exploration, development or production site. In the ordinary course of our operations, we may generate other industrial wastes such as waste solvents and waste chemicals that may be regulated as hazardous waste under RCRA or considered hazardous substances under CERCLA. Compliance with RCRA and CERCLA imposes additional costs on our operations, and if these wastes are not properly disposed of in accordance with regulation, we may be subject to clean up orders, penalty actions or private lawsuits that may require us to expend additional resources.

In the course of our operations, some of our equipment may be exposed to naturally occurring radiation associated with oil and natural gas deposits, and this exposure may result in the generation of wastes containing technically enhanced, naturally occurring radioactive materials, or “TENORM.” TENORM wastes exhibiting trace levels of naturally occurring radiation in excess of established standards are subject to special handling and disposal requirements, and any storage vessels, piping and work area affected by TENORM may be subject to remediation or restoration requirements. In addition, federal and state safety and health requirements impose limitations on worker exposure to TENORM, which requirements increase our costs. Because many of the properties presently or previously owned, operated or occupied by us have been used for oil and natural gas production operations for many years, it is possible that we may incur costs or liabilities associated with elevated levels of TENORM, particularly if TENORM requirements become more stringent over time.

Financial Information about Segments

For financial information regarding our reportable segments, please see Note R – Segment reporting in Ferrellgas Partners' consolidated financial statements and Note Q – Segment reporting in the operating partnership's consolidated financial statements included in this annual report.

Employees

We have no employees and are managed by our general partner pursuant to our partnership agreement. At September 6, 2017, our general partner had 3,891 full-time employees.

Our general partner's employees consisted of individuals in the following areas:

Propane field operations	3,388
Midstream operations	135
Centralized corporate functions	368
Total	3,891

Less than one percent of these employees are represented by an aggregate of five different local labor unions, which are all affiliated with the International Brotherhood of Teamsters. Our general partner has not experienced any significant work stoppages or other labor problems.

## Trademarks and Service Marks

We market our goods and services under various trademarks and trade names, which we own or have a right to use. Those trademarks and trade names include marks or pending marks before the United States Patent and Trademark Office such as Ferrellgas, Ferrell North America, and Ferrellmeter. Our general partner has an option to purchase for a nominal value the trade names “Ferrellgas” and “Ferrell North America” and the trademark “Ferrellmeter” that it contributed to us during 1994, if it is removed as our general partner other than “for cause.” If our general partner ceases to serve as our general partner for any reason other than “for cause,” it will have the option to purchase our other trade names and trademarks from us for fair market value.

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We believe that the Blue Rhino mark and Blue Rhino's other trademarks, service marks and patents are an important part of our consistent growth in both tank exchange and outdoor living product categories. Included in the registered and pending trademarks and service marks are the designations Blue Rhino®, Blue Rhino & Design®, Rhino Design™, Grill Gas & Design®, Drop, Swap and Go™, FineTune®, GrillBoss®, It's Not Just Propane. It's Blue Rhino®, VersiFuel®, Vac & Tac®, Bite-Guard®, UniFlame®, Skeetervac®, Wavedrawer®, Whale of a Brush®, Backyard Basics®, Endless Summer®, Air Flow®, Spong®, Take-A-Tank®, The Grilling Enthusiast®, Classic Prestige®, Silver Prestige®, Diamond Prestige®, DualHeat®, Elemental®, Eco-Cover®, Eco-Tech®, GrillSwipes®, Less Biting Insects. More Backyard Fun®, Flip & Flavor®, Razor®, E-Z Legs & Wings®, Mr. Pizza®, Camo-Q®, ChefMaster®, ChefMaster & Design®, Mr. Bar-B-Q®, and Mr. Bar-B-Q and Design. In addition, we have patents issued for a Method for Reconditioning a Propane Gas Tank and an Overflow Protection Valve Assembly, which expire in 2017 and 2018, respectively, as well as various other patents and patent applications pending. The protection afforded by our patents furthers our ability to cost-effectively service our customers and to maintain our competitive advantages. Our water solutions business operates primarily under the Bridger Environmental trade name and our crude oil logistics business operates primarily under the Bridger Logistics trade name.

### Businesses of Other Subsidiaries

Ferrellgas Partners Finance Corp. is a Delaware corporation formed in 1996 and is our wholly-owned subsidiary. Ferrellgas Partners Finance Corp. has nominal assets, no employees other than officers and does not conduct any operations, but serves as a co-issuer and co-obligor for debt securities of Ferrellgas Partners. Institutional investors that might otherwise be limited in their ability to invest in debt securities of Ferrellgas Partners because it is a partnership are potentially able to invest in debt securities of Ferrellgas Partners because Ferrellgas Partners Finance Corp. acts as a co-issuer and co-obligor. Because of its structure and pursuant to the reduced disclosure format, a discussion of the results of operations, liquidity and capital resources of Ferrellgas Partners Finance Corp. is not presented in this Annual Report on Form 10-K. See Note B – Contingencies and Commitments – to Ferrellgas Partners Finance Corp.'s financial statements for a discussion of the debt securities with respect to which Ferrellgas Partners Finance Corp. is serving as a co-issuer and co-obligor.

Ferrellgas Finance Corp. is a Delaware corporation formed in 2003 and is a wholly-owned subsidiary of the operating partnership. Ferrellgas Finance Corp. has nominal assets, no employees other than officers and does not conduct any operations, but serves as a co-issuer and co-obligor for debt securities of the operating partnership. Institutional investors that might otherwise be limited in their ability to invest in debt securities of the operating partnership because it is a partnership are potentially able to invest in debt securities of the operating partnership because Ferrellgas Finance Corp. acts as a co-issuer and co-obligor. Because of its structure and pursuant to the reduced disclosure format, a discussion of the results of operations, liquidity and capital resources of Ferrellgas Finance Corp. is not presented in this Annual Report on Form 10-K. See Note B – Contingencies and commitments – to Ferrellgas Finance Corp.'s financial statements for a discussion of the debt securities with respect to which Ferrellgas Finance Corp. is serving as a co-issuer and co-obligor.

We have agreements to transfer, on an ongoing basis, a portion of our trade accounts receivable through Ferrellgas Receivables, LLC ("Ferrellgas Receivables"), a wholly-owned subsidiary of the operating partnership that maintains an accounts receivable securitization facility. We retain servicing responsibilities for transferred accounts receivable but have no other continuing involvement with the transferred receivables. The accounts receivable securitization facility is more fully described in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Financing Activities - Accounts receivable securitization" and in Note G – Accounts and notes receivable, net and accounts receivable securitization – to our consolidated financial statements provided herein.

We also sell gas grills, grilling tools and accessories, patio heaters, fireplace and garden accessories, mosquito traps and other outdoor products. These products are manufactured by independent third parties in Asia and are sold to mass market retailers in Asia or shipped to the United States, where they are sold under our various trade names. These products are sold through Blue Rhino Global Sourcing, Inc. a taxable corporation that is a wholly-owned subsidiary of the operating partnership. We operate our midstream operations - crude oil logistics operations under Bridger Logistics, LLC.

#### Available Information

We file annual, quarterly, and other reports and information with the Securities and Exchange Commission (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](http://www.sec.gov). You may also read and copy our SEC filings at the SEC's Public Reference Room located at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information concerning the Public Reference Room and any applicable copy charges. Because our common units are traded on the New York Stock Exchange under the ticker symbol of "FGP," we also provide our SEC filings and particular other information to the New York Stock Exchange. You may obtain copies of these filings and such other information at the offices of the New York Stock Exchange located at 11



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Wall Street, New York, New York 10005. In addition, our SEC filings, including our Exchange Act reports and related exhibits, are available on our website at [www.ferrellgas.com](http://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 Annual Report on Form 10-K 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.

ITEM 1A. RISK FACTORS.

Risks Related to our Businesses and Industries

Weather conditions may reduce the demand for propane; our financial condition is vulnerable to warm winters and poor weather in the grilling season.

Weather conditions have a significant impact on the demand for propane for heating, agricultural, and recreational grilling purposes. Many of our customers rely heavily on propane as a heating fuel. Accordingly, our sales volumes of propane are highest during the five-month winter-heating season of November through March and are directly affected by the temperatures during these months. During fiscal 2017, approximately 54% of our propane sales volume was attributable to sales during the winter-heating season. Actual weather conditions can vary substantially from year to year, which may significantly affect our financial performance. Furthermore, variations in weather in one or more regions in which we operate can significantly affect our total propane sales volume and therefore our realized profits. A negative effect on our sales volume may in turn affect our financial position or results of operations and our liquidity. The agricultural demand for propane is also affected by weather, as dry or warm weather during the harvest season may reduce the demand for propane used in some crop drying applications.

Sales from portable tank exchanges experience higher volumes in the spring and summer, which includes the majority of the grilling season. Sustained periods of poor weather, particularly in the grilling season, can negatively affect our portable tank exchange revenues. In addition, poor weather may reduce consumers' propensity to purchase and use grills and other propane-fueled appliances thereby reducing demand for portable tank exchange as well as the demand for our outdoor products.

Furthermore, increasing concentrations of greenhouse gases, such as carbon dioxide, in the Earth's atmosphere may produce climate changes that have significant physical effects, such as volatility in seasonal temperatures and increased frequency and severity of storms, floods and other climatic events. To the extent weather conditions are affected by climate change or demand is impacted by regulations associated with climate change, customers' energy use could increase or decrease depending on the duration and magnitude of the changes, leading either to increased investment or decreased revenues.

Sudden and sharp propane wholesale price increases may not be completely passed on to customers, especially those with contracted pricing arrangements and these contracted pricing arrangements will adversely affect our profit margins if they are not immediately hedged with an offsetting propane purchase commitment.

Gross margin from the retail distribution of propane is primarily based on the cents-per-gallon difference between the sales price we charge our customers and our costs to purchase and deliver propane to our propane distribution locations. Because our profitability is sensitive to changes in wholesale supply costs, it will be adversely affected if we cannot pass on increases in the cost of propane to our customers.

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. A certain percentage of these arrangements are immediately hedged with an

offsetting propane purchase commitment.

The wholesale propane price per gallon is subject to various market conditions and may fluctuate based on changes in demand, supply and other energy commodity prices. Propane prices tend to correlate primarily with crude oil and natural gas prices. We employ risk management activities that attempt to mitigate risks related to the purchasing, storing, transporting, and selling of propane. However, sudden and sharp propane price increases cannot be passed on to customers with contracted pricing arrangements. Therefore, the percentage of these commitments that are not immediately hedged with an offsetting propane purchase commitment expose us to product price risk and reduced profit margins.

Sudden and sharp wholesale propane price decreases may result in customers not fulfilling their obligations under contracted pricing arrangements previously entered into with us. The decreased sales volumes of these higher sales price arrangements may adversely affect our profit margins.

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We attempt to lock-in a gross margin per gallon on a percentage of our contracted sales commitments by immediately hedging or entering into a fixed price propane purchase contract. If we were to experience sudden and sharp propane price decreases, our customers may not fulfill their obligation to purchase propane from us at their previously contracted price per gallon and we may not be able to sell the related hedged or fixed price propane at a profitable sales price per gallon in the current pricing environment.

We are dependent on our principal suppliers, which increases the risks from an interruption in supply and transportation.

Through our supply procurement activities, we purchased approximately 67% of our propane from seven suppliers during fiscal 2017. During extended periods of colder-than-normal weather, suppliers may temporarily run out of propane necessitating the transportation of propane by truck, rail car or other means from other areas. If supplies from these sources were interrupted, certain suppliers were to default or difficulties in alternative transportation were to arise, the cost of procuring replacement supplies and transporting those supplies from alternative locations might be materially higher and, at least on a short-term basis, our margins could be reduced.

Our failure or our counterparties' failure to perform on obligations under commodity derivative and financial derivative contracts could materially affect our liquidity, cash flows and results of operations.

Volatility in the oil and gas commodities sector for an extended period of time or intense volatility in the near term could impair us or our counterparties' ability to meet margin calls which could cause us or our counterparties to default on commodity and financial derivative contracts. This could have a material adverse effect on our liquidity or our ability to procure product or procure it at prices reasonable to us.

In addition, the implementation of statutory and regulatory requirements for derivative transactions, in particular the Dodd-Frank Wall Street Reform and Consumer Protection Act, may increase the operational and transaction costs of entering into and maintaining derivatives contracts and may adversely affect the number and/or creditworthiness of derivatives counterparties available to us.

Hurricanes and other natural disasters could have a material adverse effect on our business, financial condition and results of operations.

Hurricanes and other natural disasters can potentially destroy thousands of business structures and homes and, if occurring in the Gulf Coast region of the United States, could disrupt the supply chain for oil and gas products. Disruptions in supply could have a material adverse effect on our business, financial condition, results of operations and cash flow. Damages and higher prices caused by hurricanes and other natural disasters could also have an adverse effect on our financial condition due to the impact on the financial condition of our customers.

To the extent weather conditions are affected by weather extremes in a manner that increases the frequency or magnitude of significant weather events and natural disasters, increased weather disruptions could also have adverse impact on our financial condition on both the supply and demand side.

The propane distribution business is highly competitive, which may negatively affect our sales volumes and/or our results of operations.

Our profitability is affected by the competition for customers among all of the participants in the propane distribution business. We compete with a number of large national and regional firms and several thousand small independent firms. Because of the relatively low barriers to entry into the propane market, there is the potential for small independent propane distributors, as well as other companies not previously engaged in propane distribution, to

compete with us. Some rural electric cooperatives and fuel oil distributors have expanded their businesses to include propane distribution. As a result, we are subject to the risk of additional competition in the future. Some of our competitors may have greater financial resources or lower costs than we do. Should a competitor attempt to increase market share by reducing prices, our operating margins and customer base may be negatively impacted. Generally, warmer-than-normal weather and increasing fuel prices further intensifies competition.

The propane distribution industry is a mature one, which may limit our growth.

The propane distribution industry is a mature one. We foresee no growth or a small decline in total national demand for propane in the near future. Year-to-year industry volumes are primarily impacted by fluctuations in temperatures and economic conditions. Our ability to grow our sales volumes within the propane distribution industry is primarily dependent upon our ability to acquire other propane distributors, to integrate those acquisitions into our operations, and upon the success of our marketing

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efforts to acquire new customers organically. If we are unable to compete effectively in the propane distribution business, we may lose existing customers or fail to acquire new customers.

We may not be successful in making acquisitions and any acquisitions we make may not result in our anticipated results; in either case, this failure would potentially limit our growth, limit our ability to compete and impair our results of operations.

We have historically expanded our business through acquisitions. We regularly consider and evaluate opportunities to acquire propane distributors and oil and gas midstream operations. We may choose to finance these acquisitions through internal cash flow, external borrowings or the issuance of additional common units or other securities. We have substantial competition for acquisitions, and although we believe there are numerous potential large and small acquisition candidates in these industries, there can be no assurance that:

- we will be able to acquire any of these candidates on economically acceptable terms, which may include the assumption of known or unknown liabilities such as environmental liabilities and indemnity limitations;
- we will be able to successfully integrate acquired operations with any expected cost savings;
- any acquisitions made will not be dilutive to our earnings and distributions;
- we will not have unforeseen difficulties operating in new geographic areas or in new business segments;
- management's and employees' attention will not be diverted from other business concerns;
- we will not have customer or key employee loss from the acquired businesses;
- any additional equity we issue as consideration for an acquisition will not be dilutive to our unitholders; or
- any additional debt we incur to finance an acquisition will not affect the operating partnership's ability to make distributions to Ferrellgas Partners or service the operating partnership's existing debt.

The propane distribution business faces competition from other energy sources, which may reduce the existing demand for our propane.

Propane competes with other sources of energy, some of which can be less costly for equivalent energy value. We compete for customers against suppliers of electricity, natural gas and fuel oil. The convenience and efficiency of electricity makes it an attractive energy source for consumers and developers of new homes. Electricity is a major competitor of propane, but propane has historically enjoyed a competitive price advantage over electricity. Except for some industrial and commercial applications, propane is generally not competitive with natural gas in areas where natural gas pipelines already exist, because such pipelines generally make it possible for the delivered cost of natural gas to be less expensive than the bulk delivery of propane. The expansion of natural gas into traditional propane markets has historically been inhibited by the capital cost required to expand distribution and pipeline systems, however, the gradual expansion of the nation's natural gas distribution systems has resulted in the availability of natural gas in areas that were previously dependent upon propane. As long as natural gas remains a less expensive energy source than propane, our business will lose customers in each region in which natural gas distribution systems are expanded. The gradual expansion of the nation's natural gas distribution systems has resulted, and may continue to result, in the availability of natural gas in some areas that previously depended upon propane. Although propane is similar to fuel oil in some applications and market demand, propane and fuel oil compete to a lesser extent primarily because of the cost of converting from one to the other and due to the fact that both fuel oil and propane have generally developed their own distinct geographic markets.

In August 2015, the EPA announced its Clean Power Plan rule, which requires states to submit plans for the reduction of carbon emissions from power plants. Upon publication of the Clean Power Plan rule in October 2015, more than two dozen States as well as industry and labor groups challenged the rule in the D.C. Circuit Court of Appeals. The Plan, if implemented, is anticipated to result in a shift away from coal-based sources of energy to natural gas and renewables. In March 2017, the EPA announced that it is reviewing and, if appropriate will initiate proceedings to

suspend, revise or rescind the Clean Power Plan. While this rule may increase demand for natural gas, other regulations governing drilling for natural gas may make natural gas extraction more expensive, so the resulting impact on demand for propane may change as implementation of the Clean Power Act occurs. We cannot predict the effect that the development of alternative energy sources might have on our financial position or results of operations.

Energy efficiency and technology advances may affect demand for propane; increases in propane prices may cause our residential customers to increase their conservation efforts.

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The national trend toward increased conservation and technological advances, including installation of improved insulation and the development of more efficient furnaces and other heating devices, has reduced the demand for propane in our industry. We cannot predict the effect of future conservation measures or the effect that any technological advances in heating, conservation, energy generation or other devices might have on our operations. When the price of propane increases, some of our customers will tend to increase their conservation efforts and thereby decrease their consumption of propane.

Economic and political conditions may harm the energy business disproportionately to other industries.

Deteriorating regional and global economic conditions and the effects of ongoing military and terrorist's actions may cause significant disruptions to commerce throughout the world. If those disruptions occur in areas of the world which are tied to the energy industry, such as the Middle East, it is most likely that our industry will be either affected first or affected to a greater extent than other industries. These conditions or disruptions may:

- impair our ability to effectively market or acquire propane; or
- impair our ability to raise equity or debt capital for acquisitions, capital expenditures or ongoing operations.

The revenues received from our portable tank exchange are concentrated with a limited number of retailers under non-exclusive arrangements that may be terminated at will.

The propane gallons sales that we generate from our delivery of propane by portable tank exchange are concentrated with a limited number of retailers. If one or more of these retailers were to materially reduce or terminate its business with us, the results from our delivery of propane from portable tank exchanges may decline. For fiscal 2017, four retailers represented approximately 60% of portable tank exchange net revenues. None of our significant retail accounts associated with portable tank exchanges are contractually bound to offer portable tank exchange service or products. Therefore, retailers can discontinue our delivery of propane to them by portable tank exchange service, or sales of our propane related products, at any time and accept a competitor's delivery of propane by portable tank exchange, or its related propane products or none at all. Continued relations with a retailer depend upon various factors, including price, customer service, consumer demand and competition. In addition, most of our significant retailers have multiple vendor policies and may seek to accept a competitor's delivery of propane by portable tank exchange, or accept products competitive with our propane related products, at new or existing locations of these significant retailers. If any significant retailer materially reduces, terminates or requires price reductions or other adverse modifications in our selling terms, our results from our delivery of propane from portable tank exchanges may decline.

If the distribution locations that some of our national tank exchange customers rely upon for the delivery of propane do not perform up to the expectations of these customers, if we encounter difficulties in managing the operations of these distribution locations or if we or these distribution locations are not able to manage growth effectively, our relationships with our national tank exchange customers may be adversely impacted and our delivery of propane to our national tank exchange customers may decline.

We rely on independently-owned and company-owned distributors to deliver propane to some of our national tank exchange customers. Accordingly, our success depends on our ability to maintain and manage distributor relationships and operations and on the distributors' ability to set up and adequately service accounts. National tank exchange customers impose demanding service requirements on us, and we could experience a loss of consumer or customer goodwill if our distributors do not adhere to our quality control and service guidelines or fail to ensure the timely delivery of an adequate supply of propane to our national customers. The poor performance of a distribution location for a national tank exchange customer could jeopardize our entire relationship with that national tank exchange customer and cause our delivery of propane to that particular customer to decline.

Potential retail partners may not be able to obtain necessary permits or may be substantially delayed in obtaining necessary permits, which may adversely impact our ability to increase our delivery of propane by portable tank exchange to new retail locations.

Local ordinances, which vary from jurisdiction to jurisdiction, generally require retailers to obtain permits to store and sell propane tanks. These ordinances influence retailers' acceptance of propane by portable tank exchange, distribution methods, propane tank packaging and storage. The ability and time required to obtain permits varies by jurisdiction. Delays in obtaining permits have from time to time significantly delayed the installation of new retail locations. Some jurisdictions have refused to issue the necessary permits, which has prevented some installations. Some jurisdictions may also impose additional restrictions on our ability to market and our distributors' ability to transport propane tanks or otherwise maintain its portable tank exchange services.

We are subject to operating and litigation risks, which may not be covered by insurance.



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We are subject to all operating hazards and risks normally incidental to the handling, storing and delivering of combustible liquids such as propane and crude oil. These operations face an inherent risk of exposure to general liability claims in the event that the use of these facilities results in injury or destruction of property. As a result, we have been, and are likely to be, a defendant in various legal proceedings arising in the ordinary course of business. Our insurance policies do not cover all losses, costs or liabilities that we may experience, and insurance companies that currently insure companies in the energy industry may cease to do so or substantially increase premiums. We maintain insurance policies with insurers in such amounts and with such coverages and deductibles as we believe are reasonable and prudent. However, we cannot guarantee that such insurance will be adequate to protect us from all material expenses related to potential future claims for personal injury and property damage or that such levels of insurance will be available in the future at economical prices.

A significant increase in motor fuel prices may adversely affect our profits.

Motor fuel is a significant operating expense for us in connection with the purchase and delivery of propane to our customers. The price and supply of motor fuel is unpredictable and fluctuates based on events we cannot control, such as geopolitical developments, supply and demand for oil, gas, and refined fuels, actions by oil and gas producers, actions by motor fuel refiners, war and unrest in oil producing countries and regions, regional production patterns and weather concerns. As a result, any increases in these prices in future years may adversely affect our profitability and competitiveness.

Rail transportation of propane gas and crude oil have inherent operating risks.

Our operations include transporting propane gas and crude oil on rail cars. Such cargo are at risk of being damaged or lost because of events such as derailment, inclement weather, mechanical failures, grounding or collision, fire, explosion, environmental accidents, terrorism and political instability. Such occurrences could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenues, termination of contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates and damage to its or our reputation and customer relationships generally. Any of these circumstances or events could increase our costs or lower our revenues.

Our business would be adversely affected if service on the railroads we use is interrupted.

We do not own or operate the railroads on which the railcars we use are transported. Any disruptions in the operations of these railroads could adversely impact our ability to deliver product to our customers.

If we are unable to protect our information technology systems against service interruption, misappropriation of data, or breaches of security resulting from cyber security attacks or other events, or we encounter other unforeseen difficulties in the operation of our information technology systems, our operations could be disrupted, our business and reputation may suffer, and our internal controls could be adversely affected.

In the ordinary course of business, we rely on information technology systems, including the Internet and third-party hosted services, to support a variety of business processes and activities and to store sensitive data, including (i) intellectual property, (ii) our proprietary business information and that of our suppliers and business partners, (iii) personally identifiable information of our customers and employees, and (iv) data with respect to invoicing and the collection of payments, accounting, procurement, and supply chain activities. In addition, we rely on our information technology systems to process financial information and results of operations for internal reporting purposes and to comply with financial reporting, legal, and tax requirements. Despite our security measures, our information technology systems may be vulnerable to attacks by hackers or breached due to employee error, malfeasance,

sabotage, or other disruptions.

Moreover, the efficient execution of our business is dependent upon the proper functioning of our internal systems, we depend on our management information systems to process orders, manage inventory, and accounts receivable collections, maintain distributor and customer information, maintain cost-efficient operations and assist in delivering propane on a timely basis. In addition, our staff of management information systems professionals relies heavily on the support of several key personnel and vendors. Any disruption in the operation of those management information systems, including a cyber-security breach or loss of employees knowledgeable about the operation of such systems, termination of our relationship with one or more of these key vendors or failure to continue to modify such systems effectively as our business expands could negatively affect our business.

Compliance with environmental, health and safety laws and regulations could result in costs.

Our operations are subject to stringent federal, state and local laws and regulations relating to the discharge of materials into the environment or otherwise relating to protection of the environment or human health and safety. Compliance with current and

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future environmental laws and regulations may increase our overall cost of business, including our capital costs to construct, maintain and upgrade equipment and facilities. Failure to comply with these laws and regulations may result in the assessment of significant administrative, civil and criminal penalties, the imposition of investigatory and remedial liabilities, and even the issuance of injunctions that may restrict or prohibit some or all of its operations. Furthermore, environmental laws and regulations are subject to change, resulting in potentially more stringent requirements, and we cannot provide any assurance that the cost of compliance with current and future laws and regulations will not have a material effect on the results of operations or earnings associated with our operations.

Changes in demand for and production of hydrocarbon products could have a material adverse effect on Bridger's results of operations and cash flows.

In recent years, the price of crude oil has been volatile, and we expect this volatility to continue. Generally, the price of crude oil is subject to fluctuations in response to changes in supply, demand, market uncertainty and a variety of other uncontrollable factors, such as:

- the level of domestic production and consumer demand;
- the availability of imported oil and actions taken by foreign oil producing nations;
- the availability of alternative transportation systems with adequate capacity;
- the availability of competitive fuels;
- fluctuating demand for oil and other hydrocarbon products;
- the impact of conservation efforts;
- the level of excess production capacity;
- the cost of exploring for, producing and delivering oil and gas;
- weather conditions;
- political uncertainty and sociopolitical unrest;
- technological advances affecting energy consumption;
- governmental regulation and taxation; and
- prevailing economic conditions.

The crude oil currently transported by Bridger originates from existing domestic resource basins, which naturally deplete over time. To offset this natural decline, Bridger' assets will need access to production from newly discovered or newly developed properties. Many economic and business factors beyond our control can adversely affect the decision by producers to explore for and develop new reserves. These factors could include relatively low oil prices, cost and availability of equipment and labor, regulatory changes, capital budget limitations, the lack of available capital or the probability of success in finding hydrocarbons. A decrease in exploration and development activities in the regions where Bridger's assets are located could result in a decrease in volumes transported over time, which could materially and adversely affect Bridger's results of operations and cash flows.

Bridger may not be able to compete effectively in its logistics activities.

Bridger faces competition in all aspects of its business and we can give no assurances that we and it will be able to compete effectively against its competitors. In general, competition comes from a wide variety of players in a wide variety of contexts, including new entrants and existing players and in connection with day-to-day business, expansion capital projects, acquisitions and joint venture activities. Some of Bridger's competitors have capital resources many times greater than ours and may contract to control greater supplies of crude oil.

Bridger is subject to the risk of a capacity overbuild of midstream energy infrastructure in the areas where it operates.

A significant driver of competition in some of the markets where Bridger operates (including, for example, the Eagle Ford, Permian Basin, and Rockies/Bakken areas) is the rapid development of new midstream energy infrastructure capacity driven by the combination of (i) significant increases in oil and gas production and development in the applicable production areas, both actual and anticipated, (ii) relatively low barriers to entry and (iii) generally widespread access to relatively low cost capital. Accordingly, Bridger is exposed to the risk that these areas become overbuilt and/or oversupplied, resulting in an excess of oil transportation, logistics and infrastructure capacity and/or increased competition. Bridger is also exposed to the risk that expectations for oil and gas development in any particular area may not be realized or that too much logistics capacity is developed relative to the demand for services that ultimately materializes. In addition, as an established player in some markets, Bridger may also face competition from aggressive new entrants to the market that are willing to provide services at a discount in order to establish relationships and gain a foothold in the market.

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Increased trucking and rail regulations may increase Bridger's costs or make it more difficult for it to attract or retain qualified drivers, which could negatively affect its results of operations.

In connection with the trucking services Bridger provides, it operates as a motor carrier and, therefore, is subject to regulation by the Department of Transportation (the "DOT"), and by various state agencies. These regulatory authorities exercise broad powers, governing activities such as the authorization to engage in motor carrier operations and regulatory safety. The trucking industry is subject to possible regulatory and legislative changes that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services. These possible changes include increasingly stringent environmental regulations, changes in the regulations that govern the amount of time a driver may drive in any specific period, onboard black box recorder devices or limits on vehicle weight and size.

Similarly, Bridger's rail transportation services are subject to regulation by the DOT and other agencies. Past derailments of trains carrying crude oil brought increased attention by regulators to the transport of flammable materials by rail. In May 2015, the DOT issued final rules for oil-by-rail transportation requiring that certain older tank cars be phased out of operation and that new tank cars comply with certain design requirements. All tank cars built after October 1, 2015 must meet these new standards. DOT-111 tank cars must be retrofitted or replaced in accordance with a risk-based timeline starting on January 1, 2017 and CPC-1232 tank cars without insulating jackets must be retrofitted or replaced by April 1, 2020. Furthermore, since December 2015, the Fixing America's Surface Transportation Act, or FAST Act, requires all tank cars to be upgraded by the DOT's deadlines regardless of train composition. Failure to meet these compliance deadlines or other requirements could result in fines or other penalties or could render these railcars obsolete for purposes of hauling crude oil, and could affect Bridger's costs or operations.

We are subject to federal, state and local regulations regarding issues of health, safety, transportation, and protection of natural resources and the environment related to our crude oil logistics operations. Under these regulations, we may become liable for penalties, damages or costs of remediation. Any changes in laws and government regulations could increase our costs of doing business.

Bridger's crude oil logistics operations are subject to stringent federal, state and local laws and regulations relating to the discharge of materials into the environment or otherwise relating to protection of the environment. As with the midstream industry generally, compliance with current and anticipated environmental laws and regulations increases its overall cost of business, including its capital costs to construct, maintain and upgrade equipment and facilities. Failure to comply with these laws and regulations may result in the assessment of significant administrative, civil and criminal penalties, the imposition of investigatory and remedial liabilities, and even the issuance of injunctions that may restrict or prohibit some or all of its operations. We believe that Bridger's operations are in substantial compliance with applicable laws and regulations. However, environmental laws and regulations are subject to change, resulting in potentially more stringent requirements, and we cannot provide any assurance that the cost of compliance with current and future laws and regulations will not have a material adverse effect on the results of operations or earnings associated with the Bridger's business.

Bridger's crude oil logistics operations are subject to all of the risks and operational hazards inherent in gathering, transporting and storing crude oil.

Such risks include:

- mechanical or structural failures with respect to our assets, at our facilities or with respect to third-party assets or facilities on which our operations are dependent;
- damages to pipelines and facilities, related equipment and surrounding properties caused by earthquakes, floods, fires, severe weather, explosions and other natural disasters and acts of terrorism; and

- the inability of third-party facilities on which our operations are dependent, to complete capital projects and to restart timely refining operations following a shutdown.

The fees charged to customers under Bridger's agreements for its logistics services may not escalate sufficiently to cover increases in costs and the agreements may be suspended in some circumstances, which would affect our profitability.

Bridger's costs may increase at a rate greater than the rate that the fees that it charges to customers increase pursuant to their contracts with them. Additionally, some customers' obligations under their agreements may be permanently or temporarily reduced upon the occurrence of certain events, some of which are beyond Bridger's control, including force majeure events wherein the supply of crude oil, condensate, and/or natural gas liquids are curtailed or cut off. Force majeure events include revolutions, wars, acts of enemies, embargoes, import or export restrictions, strikes, lockouts, fires, storms, floods, acts of God,

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explosions, mechanical or physical failures of our equipment or facilities of customers. If the escalation of fees is insufficient to cover increased costs or if any customer suspends or terminates its contracts with Logistics, our profitability could be materially and adversely affected.

Pursuant to the Jamex Termination Agreement, Jamex Marketing, LLC owes us amounts under a promissory note, which may not be fully collected.

On September 1, 2016, we entered into a Secured Promissory Note with Jamex Marketing, LLC (“Jamex”) pursuant to which Jamex agreed to pay us a principal amount of \$49.5 million plus interest, which principal amount is due over time pursuant to an amortization schedule and with a final maturity date of December 17, 2021. Jamex’s obligations under the Secured Promissory Note are fully guaranteed by certain subsidiaries and affiliates of Jamex, and are partially guaranteed (up to a maximum of \$20 million) by James Ballengee, the individual owner of Jamex, and another entity owned by Mr. Ballengee. The Secured Promissory Note obligations of Jamex and those other fully guaranteeing entities are secured by certain assets owned by those entities, actively traded marketable securities and cash, which are held in a controlled account and can be seized by us in the event of default.

Jamex, a crude oil marketing company, and its guarantor affiliates are not investment-grade entities, and we cannot be sure that we will be able to collect any or all of the amounts owed under the Secured Promissory Note. We have no control over Jamex’s business or operations, and we have no control over whether Jamex repays us with profits from its business or from amounts held in the controlled account. We also have no control over the investment strategy of the controlled account, and such amounts may be subject to market and other risks. If we are unable to collect the amounts owed under the Secured Promissory Note, that inability could have a material and adverse effect on our cash flows, liquidity and results of operations.

Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays for our customers, which could have a material adverse effect on our business.

Hydraulic fracturing is a commonly used process that involves using water, sand and certain chemicals to fracture the hydrocarbon-bearing rock formation to allow flow of hydrocarbons into the wellbore. Federal and state legislation and regulatory initiatives relating to hydraulic fracturing are expected to result in increased costs and additional operating restrictions for oil and gas explorers and producers. The adoption of any future federal or state laws or implementing regulations imposing reporting obligations on, or otherwise limiting, the hydraulic fracturing process would make it more difficult and more expensive to complete new wells in the unconventional shale resource formations and increase costs of compliance and doing business for oil and natural gas operators. As a result of such increased costs, the pace of oil and gas activity could be slowed, resulting in less need for water management solutions. These effects could have a material adverse effect on our financial condition, results of operations and cash flows.

We are subject to federal, state and local regulations regarding issues of health, safety, transportation, and protection of natural resources and the environment related to our water solutions operations. Under these regulations, we may become liable for penalties, damages or costs of remediation. Any changes in laws and government regulations could increase our costs of doing business.

Like the customers we service, our water solutions business is subject to extensive, complex and evolving federal, state and local environmental, health, safety and transportation laws and regulations that can affect the cost, manner, feasibility or timing of doing business. These laws and regulations are administered by the EPA and various other federal, state and local environmental, zoning, transportation, land use, health and safety agencies in the United States. The Texas Railroad Commission (“RRC”) is the principal state agency that regulates our water solutions business in Texas.

Our water solutions operations are subject to other federal, state and local laws and regulations relating to protection of natural resources and the environment, health and safety, waste management, and transportation and disposal of produced-water and other materials. For example, our water solutions operations includes disposal into injection wells that could pose some risks of environmental liability, including leakage from the wells to surface or subsurface soils, surface water or groundwater. Liability under these laws and regulations could result in cancellation of well operations, fines and penalties, expenditures for remediation, and liability for property damage, personal injuries and natural resource damage. Sanctions for noncompliance with applicable environmental laws and regulations also may include assessment of administrative, civil and criminal penalties, revocation of permits and issuance of orders to assess and clean up contamination.

In the course of our operations, some of our equipment may be exposed to naturally occurring radiation associated with oil and natural gas deposits, and this exposure may result in the generation of wastes containing technically enhanced, naturally occurring radioactive materials, or "TENORM." TENORM wastes exhibiting trace levels of naturally occurring radiation in



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excess of established standards are subject to special handling and disposal requirements, and any storage vessels, piping and work area affected by TENORM may be subject to remediation or restoration requirements. In addition, federal and state safety and health requirements impose limitations on worker exposure to TENORM, which requirements increase our costs. Because many of the properties presently or previously owned, operated or occupied by us have been used for oil and natural gas production operations for many years, it is possible that we may incur costs or liabilities associated with elevated levels of TENORM, particularly if TENORM requirements become more stringent over time.

Failure to comply with these laws and regulations could result in the assessment of administrative, civil or criminal penalties, imposition of assessment, cleanup, natural resource loss and site restoration costs and liens, revocation of permits, and, to a lesser extent, orders to limit or cease certain operations. In addition, certain environmental laws impose strict and/or joint and several liability, which could cause us to become liable for the conduct of others or for consequences of our own actions that were in compliance with all applicable laws at the time of those actions regardless of fault and irrespective of when the acts occurred. We may be required to make large expenditures to comply with environmental safety and other laws and regulations.

Salt water injection wells potentially may create earthquakes.

Certain published studies have found a link between the deep well injection of hydraulic fracturing wastewater and an increase in seismic activity. On February 6, 2015, the EPA released a report with findings and recommendations related to public concern about induced seismic activity from disposal wells. The report recommends strategies for managing and minimizing the potential for significant injection-induced seismic events. In Texas, where all of our water services facilities are located, a published study has suggested that fluid injection was the most likely cause of recent earthquakes in north Texas. These findings may trigger new legislation or regulations that would limit or ban the disposal of oil and gas production wastewater in deep injection wells. If such new laws or rules were adopted, our operations may be curtailed while alternative treatment and disposal methods are developed and approved. Increased seismic activity may galvanize public opposition to hydraulic fracturing, perhaps giving rise to local fracking bans or causing us to expend additional resources on public outreach. In addition, it may give rise to private tort suits from individuals who claim they are adversely impacted by seismic activity, again requiring us to expend additional resources.

### Risks Inherent in an Investment in our Debt Securities or our Common Units

We may have difficulty renewing or replacing our secured credit facility when it matures in October 2018. Our secured credit facility matures in October 2018. If we are unsuccessful with our strategy to reduce debt and interest expense or in our ability to maintain compliance with our debt covenants, we may be unsuccessful in renegotiating our secured credit facility. If we are unsuccessful in renegotiating our secured credit facility and are unable to secure alternative liquidity sources, we may not have the liquidity to fund our operations.

Failure to renew or replace liquidity available under our secured credit facility could have a material effect on Ferrellgas' operating capacity and cash flows and could further restrict our ability to incur debt or pay interest on our notes which could result in an event of default that would permit the acceleration of all of our indebtedness. The accelerated debt would become immediately due and payable, which would in turn trigger cross-acceleration under other debt. If the payment of our debt is accelerated, our assets may be insufficient to repay such debt in full and we may be unable to borrow sufficient funds to refinance debt, in which case the unitholders could experience a partial or total loss of their investment.

We may have difficulty maintaining compliance with the financial covenants, which include a consolidated leverage ratio and a consolidated interest coverage ratio, in our secured credit facility and accounts receivable securitization facility. If weather continues to remain unseasonably warm or our debt and interest reduction initiatives are unsuccessful, we may be forced to seek an additional waiver or amendment to the secured credit facility and accounts

receivables securitization facility. If we were unsuccessful in obtaining these waivers or amendments it could result in a default and potentially an acceleration of our existing indebtedness.

Our secured credit facility and accounts receivable securitization facility contain financial covenants, including a consolidated leverage ratio and a consolidated interest coverage ratio. Our ability to comply with these covenants will be affected by events and circumstances beyond our control, including unseasonably warm weather that reduces demand for propane and sustained low commodity prices that reduces demand for our midstream operations, and our ability to execute on our debt and interest reduction initiatives.

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If we are unable to comply with any of the financial covenants, including the consolidated leverage ratio and the consolidated interest coverage ratio, we will be required to negotiate a waiver or amendment to the covenant. There can be no assurance that we will be able to obtain a waiver or amendment of covenant breaches if needed.

Our inability to comply with any of the covenants under our secured credit facility and accounts receivable securitization facility, in the absence of a waiver or amendment, will result in a default under both facilities. A default under the facilities, if not cured or waived, could result in an event of default that would permit the acceleration of all of our indebtedness under the facilities. The accelerated debt would become immediately due and payable, which would in turn trigger cross-acceleration under our other debt. If the payment of our debt is accelerated, our assets may be insufficient to repay such debt in full and we may be unable to borrow sufficient funds to refinance our debt, in which case our unitholders could experience a partial or total loss of their investment.

The indenture governing the outstanding notes of Ferrellgas Partners includes a consolidated fixed charge coverage ratio test for the incurrence of debt and the making of restricted payments. This covenant requires that the ratio of trailing four quarters EBITDA to interest expense (both as adjusted for certain, specified items) be at least 1.75x before a restricted payment can be made. At July 31, 2017 this ratio was 1.50x.

These indentures allow us to make restricted payments, including but not limited to distributions on common units, of up to \$50.0 million in total over a 16 quarter period while the consolidated fixed charge coverage ratio is below 1.75x. On September 14, 2017, we made a restricted payment for the quarter ended July 31, 2017 of \$9.8 million which was taken from the \$50.0 million restricted payment limitation, leaving \$40.2 million available for future restricted payments. If our consolidated fixed charge coverage ratio does not improve to at least 1.75x and we continue our current quarterly distribution rate of \$0.10 per common unit, these indentures will not allow us to make common unit distributions for our quarter ending October 31, 2018 and beyond.

Our substantial debt and other financial obligations could impair our financial condition and our ability to fulfill our obligations.

We have substantial indebtedness and other financial obligations. As of July 31, 2017:

- we had total indebtedness of approximately \$2.1 billion;
- Ferrellgas Partners had partners' deficit of approximately \$757.5 million;
- we had total potential availability under our secured credit facility of approximately \$190.3 million, although we would only be able to borrow \$67.5 million as of July 31, 2017 under the existing covenants; and
- we had aggregate future minimum rental commitments under non-cancelable operating leases of approximately \$143.6 million; provided, however, if we elect to purchase the underlying assets at the end of the lease terms, such aggregate buyout would be \$24.7 million.

We have long and short-term payment obligations with maturity dates ranging from fiscal 2018 to 2023 that bear interest at rates ranging from 6.5% to 12.0%. Borrowings from our secured credit facility classified as "Long-term debt" of \$185.7 million currently bear an interest rate of 5.0%. As of July 31, 2017, the long-term obligations do not contain any sinking fund provisions but do require the following aggregate principal payments, without premium, during the following fiscal years:

- \$2.6 million - 2018
- \$187.6 million - 2019;
- \$358.2 million - 2020;
- \$501.1 million - 2021;
- \$0.4 million - 2022; and
- \$975.0 million - thereafter.

Our secured credit facility provides \$575.0 million in revolving credit for loans and has a \$200.0 million sublimit for letters of credit. 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. The secured credit facility will mature in October 2018.

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All of the indebtedness and other obligations described above are obligations of the operating partnership except for \$357.0 million in aggregate principal value of senior notes due in 2020 issued by Ferrellgas Partners and Ferrellgas Partners Finance Corp.

Subject to the restrictions governing the operating partnership's indebtedness and other financial obligations and the indenture governing Ferrellgas Partners' and Ferrellgas Partners' Finance Corp.'s outstanding senior notes due 2020, we may incur significant additional indebtedness and other financial obligations, which may be secured and/or structurally senior to any debt securities we may issue.

Our substantial indebtedness and other financial obligations could have important consequences to our security holders. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our securities;
- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;
- result in higher interest expense in the event of increases in interest rates since some of our debt is, and will continue to be, at variable rates of interest;
- impair our operating capacity and cash flows if we fail to comply with financial and restrictive covenants in our debt agreements and an event of default occurs as a result of that failure that is not cured or waived;
- require us to dedicate a substantial portion of our cash flow to payments on our indebtedness and other financial obligations, thereby reducing the availability of our cash flow to fund distributions, working capital, capital expenditures and other general partnership requirements;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage compared to our competitors that have proportionately less debt.

Disruptions in the capital and credit markets may adversely affect our business, including the availability and cost of debt and equity issuances for liquidity requirements, our ability to meet long-term commitments and our ability to hedge effectively; each could adversely affect our results of operations, cash flows and financial condition.

We rely on our ability to access the capital and credit markets at rates and terms reasonable to us. A disruption in the capital and credit markets could impair our ability to access capital and credit markets at rates and terms reasonable to us. This could limit our ability to access capital or credit markets for working capital needs, risk management activities and long-term debt maturities, or could force us to access capital and credit markets at rates or terms normally considered to be unreasonable or force us to take other aggressive actions including the reduction or suspension of our quarterly distribution.

Ferrellgas Partners or the operating partnership may be unable to refinance their indebtedness or pay that indebtedness if it becomes due earlier than scheduled.

If Ferrellgas Partners or the operating partnership are unable to meet their debt service obligations or other financial obligations, they could be forced to:

- restructure or refinance their indebtedness;
- enter into other necessary financial transactions;
- reduce or suspend Ferrellgas Partners' distributions;
- seek additional equity capital; or
- sell their assets.

They may then be unable to obtain such financing or capital or sell their assets on satisfactory terms, if at all. Their failure to make payments, whether after acceleration of the due date of that indebtedness or otherwise, or our failure to refinance the indebtedness would impair their operating capacity and cash flows.

Restrictive covenants in the agreements governing our indebtedness and other financial obligations may reduce our operating flexibility.

The indenture governing the outstanding notes of Ferrellgas Partners and the agreements governing the operating partnership's indebtedness and other financial obligations contain, and any indenture that will govern debt securities issued by

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Ferrellgas Partners or the operating partnership may contain, various covenants that limit our ability and the ability of specified subsidiaries of ours to, among other things:

- incur additional indebtedness;
- make distributions to our unitholders;
- purchase or redeem our outstanding equity interests or subordinated debt;
- make specified investments;
- create or incur liens;
- sell assets;
- engage in specified transactions with affiliates;
- restrict the ability of our subsidiaries to make specified payments, loans, guarantees and transfers of assets or interests in assets;
- engage in sale-leaseback transactions;
- effect a merger or consolidation with or into other companies or a sale of all or substantially all of our properties or assets; and
- engage in other lines of business.

These restrictions could limit the ability of Ferrellgas Partners, the operating partnership and our other subsidiaries:

- to obtain future financings;
- to make needed capital expenditures;
- to withstand a future downturn in our business or the economy in general; or
- to conduct operations or otherwise take advantage of business opportunities that may arise.

Some of the agreements governing our indebtedness and other financial obligations also require the maintenance of specified financial ratios and the satisfaction of other financial conditions. Our ability to meet those financial ratios and conditions can be affected by unexpected downturns in business operations beyond our control, such as significantly warmer-than-normal weather, a volatile energy commodity cost environment, deterioration in credit quality of key business partners, or an economic downturn. Accordingly, we may be unable to meet these ratios and conditions. This failure could impair our operating capacity and cash flows and could restrict our ability to incur debt or to make cash distributions, even if sufficient funds were available.

Our breach of any of these covenants or the operating partnership's failure to meet any of these ratios or conditions could result in a default under the terms of the relevant indebtedness, which could cause such indebtedness or other financial obligations, and by reason of cross-default provisions, any of Ferrellgas Partners' or the operating partnership's other outstanding notes or future debt securities, to become immediately due and payable. If we were unable to repay those amounts, the lenders could initiate a bankruptcy proceeding or liquidation proceeding or proceed against the collateral, if any. If the lenders of the operating partnership's indebtedness or other financial obligations accelerate the repayment of borrowings or other amounts owed, we may not have sufficient assets to repay our indebtedness or other financial obligations, including our outstanding notes and any future debt securities.

The availability of cash from our secured credit facility and accounts receivable securitization facility may be impacted by many factors, some of which are beyond our control.

We typically borrow on the operating partnership's secured credit facility or sell accounts receivable under its accounts receivable securitization facility to fund our working capital requirements. We may also borrow on these facilities to fund debt service payments, distributions to our unitholders, acquisition and capital expenditures. We purchase product from suppliers and make payments with terms that are typically within five to ten days of delivery. As of July 31, 2017, the leverage ratio covenant under the secured credit facility limited additional borrowings to \$67.5 million.

If we were to experience an unexpected significant increase in these requirements or have insufficient funds to fund distributions, our needs could exceed our immediately available resources. Events that could cause increases in these requirements include, but are not limited to the following:

- a significant increase in the wholesale cost of propane;
- a significant reduction in the production of crude oil;
- a significant delay in the collections of accounts and notes receivable;



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- increased volatility in energy commodity prices related to risk management activities;
- increased liquidity requirements imposed by insurance providers;
- a significant downgrade in our credit rating leading to decreased trade credit;
- a significant acquisition; or
- a large uninsured unfavorable lawsuit result or settlement.

As is typical in the propane industry, our retail customers do not pay upon receipt, but generally pay between 30 and 60 days after delivery. Our crude oil logistics customers generally pay between 20 and 50 days after delivery or completion of service. During the winter heating season, we experience significant increases in accounts receivable and inventory levels and thus a significant decline in working capital availability. Although we have the ability to fund working capital with borrowings from the operating partnership's secured credit facility and sales of accounts receivable under its accounts receivable securitization facility, we cannot predict the effect that increases in propane prices and colder-than-normal winter weather may have on future working capital availability.

Ferrellgas Partners and the operating partnership are required to distribute all of their available cash to their equity holders and Ferrellgas Partners and the operating partnership are not required to accumulate cash for the purpose of meeting their future obligations to holders of their debt securities, which may limit the cash available to service those debt securities.

Subject to the limitations on restricted payments contained in the indenture that governs Ferrellgas Partners' outstanding notes, the instruments governing the outstanding indebtedness of the operating partnership and any other agreement that will govern any debt Ferrellgas Partners or the operating partnership may incur in the future, the partnership agreements of both Ferrellgas Partners and the operating partnership require us to distribute all of our available cash each fiscal quarter to our limited partners and our general partner and do not require us to accumulate cash for the purpose of meeting obligations to holders of any debt securities of Ferrellgas Partners or the operating partnership. Available cash is generally all of our cash receipts, less cash disbursements and adjustments for net changes in reserves. As a result of these distribution requirements, we do not expect either Ferrellgas Partners or the operating partnership to accumulate significant amounts of cash. Depending on the timing and amount of our cash distributions and because we are not required to accumulate cash for the purpose of meeting obligations to holders of any debt securities of Ferrellgas Partners or the operating partnership, such distributions could significantly reduce the cash available to us in subsequent periods to make payments on any debt securities of Ferrellgas Partners or the operating partnership.

Debt securities of Ferrellgas Partners will be structurally subordinated to all indebtedness and other liabilities of the operating partnership and its subsidiaries.

Debt securities of Ferrellgas Partners will be effectively subordinated to all existing and future claims of creditors of the operating partnership and its subsidiaries, including:

- the lenders under the operating partnership's indebtedness;
- the claims of lessors under the operating partnership's operating leases;
- the claims of the lenders and their affiliates under the operating partnership's accounts receivable securitization facility;
- debt securities, including any subordinated debt securities, issued by the operating partnership; and
- all other possible future creditors of the operating partnership and its subsidiaries.

This subordination is due to these creditors' priority as to the assets of the operating partnership and its subsidiaries over Ferrellgas Partners' claims as an equity holder in the operating partnership and, thereby, indirectly, the claims of holders of Ferrellgas Partners' debt securities. As a result, upon any distribution to these creditors in a bankruptcy,

liquidation or reorganization or similar proceeding relating to Ferrellgas Partners or its property, the operating partnership's creditors will be entitled to be paid in full before any payment may be made with respect to Ferrellgas Partners' debt securities. Thereafter, the holders of Ferrellgas Partners' debt securities will participate with its trade creditors and all other holders of its indebtedness in the assets remaining, if any. In any of these cases, Ferrellgas Partners may have insufficient funds to pay all of its creditors, and holders of its debt securities may therefore receive less, ratably, than creditors of the operating partnership and its subsidiaries. As of July 31, 2017, the operating partnership had approximately \$1.8 billion of outstanding indebtedness and other liabilities to which any of the debt securities of Ferrellgas Partners will effectively rank junior.

All payments on any subordinated debt securities that we may issue will be subordinated to the payments of any amounts due on any senior indebtedness that we may have issued or incurred.

The right of the holders of subordinated debt securities to receive payment of any amounts due to them, whether interest, premium or principal, will be subordinated to the right of all of the holders of our senior indebtedness, as such term will be defined in the applicable subordinated debt indenture, to receive payments of all amounts due to them. If an event of default on

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any of our senior indebtedness occurs, then until such event of default has been cured, we may be unable to make payments of any amounts due to the holders of our subordinated debt securities. Accordingly, in the event of insolvency, creditors who are holders of our senior indebtedness may recover more, ratably, than the holders of our subordinated debt securities.

Debt securities of Ferrellgas Partners are expected to be non-recourse to the operating partnership, which will limit remedies of the holders of Ferrellgas Partners' debt securities.

Ferrellgas Partners' obligations under any debt securities are expected to be non-recourse to the operating partnership. Therefore, if Ferrellgas Partners should fail to pay the interest or principal on the notes or breach any of its other obligations under its debt securities or any applicable indenture, holders of debt securities of Ferrellgas Partners will not be able to obtain any such payments or obtain any other remedy from the operating partnership or its subsidiaries. The operating partnership and its subsidiaries will not be liable for any of Ferrellgas Partners' obligations under its debt securities or the applicable indenture.

Ferrellgas Partners or the operating partnership may be unable to repurchase debt securities upon a change of control; it may be difficult to determine if a change of control has occurred.

Upon the occurrence of "change of control" events as may be described from time to time in our filings with the SEC and related to the issuance by Ferrellgas Partners or the operating partnership of debt securities, the applicable issuer or a third party may be required to make a change of control offer to repurchase those debt securities at a premium to their principal amount, plus accrued and unpaid interest. The applicable issuer may not have the financial resources to purchase its debt securities in that circumstance, particularly if a change of control event triggers a similar repurchase requirement for, or results in the acceleration of, other indebtedness. The indenture governing Ferrellgas Partners' outstanding notes contains such a repurchase requirement. Some of the agreements governing the operating partnership's indebtedness currently provide that specified change of control events will result in the acceleration of the indebtedness under those agreements. Future debt agreements of Ferrellgas Partners or the operating partnership may also contain similar provisions. The obligation to repay any accelerated indebtedness of the operating partnership will be structurally senior to Ferrellgas Partners' obligations to repurchase its debt securities upon a change of control. In addition, future debt agreements of Ferrellgas Partners or the operating partnership may contain other restrictions on the ability of Ferrellgas Partners or the operating partnership to repurchase its debt securities upon a change of control. These restrictions could prevent the applicable issuer from satisfying its obligations to purchase its debt securities unless it is able to refinance or obtain waivers under any indebtedness of Ferrellgas Partners or of the operating partnership containing these restrictions. The applicable issuer's failure to make or consummate a change of control repurchase offer or pay the change of control purchase price when due may give the trustee and the holders of the debt securities particular rights as may be described from time to time in our filings with the SEC.

In addition, one of the events that may constitute a change of control is a sale of all or substantially all of the applicable issuer's assets. The meaning of "substantially all" varies according to the facts and circumstances of the subject transaction and has no clearly established meaning under New York law, which is the law that will likely govern any indenture for the debt securities. This ambiguity as to when a sale of substantially all of the applicable issuer's assets has occurred may make it difficult for holders of debt securities to determine whether the applicable issuer has properly identified, or failed to identify, a change of control.

There may be no active trading market for our debt securities, which may limit a holder's ability to sell our debt securities.

We do not intend to list the debt securities we may issue from time to time on any securities exchange or to seek approval for quotations through any automated quotation system. An established market for the debt securities may

not develop, or if one does develop, it may not be maintained. Although underwriters may advise us that they intend to make a market in the debt securities, they are not expected to be obligated to do so and may discontinue such market making activity at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. For these reasons, we cannot assure a debt holder that:

- a liquid market for the debt securities will develop;
- a debt holder will be able to sell its debt securities; or
- a debt holder will receive any specific price upon any sale of its debt securities.

If a public market for the debt securities did develop, the debt securities could trade at prices that may be higher or lower than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar debt securities and our financial performance. Historically, the market for non-investment grade debt, such as our debt securities, has been subject to disruptions that have caused substantial fluctuations in the prices of these securities.

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Cash distributions are not guaranteed and we may reduce our cash distributions in the future.

Although we are required to distribute all of our “available cash,” we cannot guarantee the amounts of available cash that will be distributed to the holders of our equity securities. Available cash is generally all of our cash receipts, less cash disbursements and adjustments for net changes in reserves. The actual amounts of available cash will depend upon numerous factors, including:

- cash flow generated by operations;
- weather in our areas of operation;
- borrowing capacity under our secured credit facility;
- principal and interest payments made on our debt;
- the costs of acquisitions, including related debt service payments;
- restrictions contained in debt instruments;
- issuances of debt and equity securities;
- fluctuations in working capital;
- capital expenditures;
- adjustments in reserves made by our general partner in its discretion;
- prevailing economic conditions; and
- financial, business and other factors, a number of which will be beyond our control.

Cash distributions are dependent primarily on cash flow, including from reserves and, subject to limitations, working capital borrowings. Cash distributions are not dependent on profitability, which is affected by non-cash items. Therefore, cash distributions might be made during periods when we record losses and might not be made during periods when we record profits.

Our general partner has broad discretion to determine the amount of “available cash” for distribution to holders of our equity securities through the establishment and maintenance of cash reserves, thereby potentially lessening and limiting the amount of “available cash” eligible for distribution.

Our general partner determines the timing and amount of our distributions and has broad discretion in determining the amount of funds that will be recognized as “available cash.” Part of this discretion comes from the ability of our general partner to establish and make additions to our reserves. Decisions as to amounts to be placed in or released from reserves have a direct impact on the amount of available cash for distributions because increases and decreases in reserves are taken into account in computing available cash. Funds within or added to our reserves are not considered to be “available cash” and are therefore not required to be distributed. Each fiscal quarter, our general partner may, in its reasonable discretion, determine the amounts to be placed in or released from reserves, subject to restrictions on the purposes of the reserves. Reserves may be made, increased or decreased for any proper purpose, including, but not limited to, reserves:

to comply with the terms of any of our agreements or obligations, including the establishment of reserves to fund the payment of interest and principal in the future of any debt securities of Ferrellgas Partners or the operating partnership;

- to provide for level distributions of cash notwithstanding the seasonality of our business; and
- to provide for future capital expenditures and other payments deemed by our general partner to be necessary or advisable.

The decision by our general partner to establish, increase or decrease our reserves may limit the amount of cash available for distribution to holders of our equity securities. Holders of our equity securities will not receive payments

required by such securities unless we are able to first satisfy our own obligations and the establishment of any reserves.

The debt agreements of Ferrellgas Partners and the operating partnership may limit their ability to make distributions to holders of their equity securities.

The debt agreements governing Ferrellgas Partners' and the operating partnership's outstanding indebtedness contain restrictive covenants that may limit or prohibit distributions to holders of their equity securities under various circumstances. Ferrellgas Partners' existing indenture generally prohibits it from:

- making any distributions to unitholders if an event of default exists or would exist when such distribution is made;
- distributing amounts in excess of 100% of available cash for the immediately preceding fiscal quarter if its consolidated fixed charge coverage ratio as defined in the indenture is less than 1.75 to 1.00; or

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distributing amounts in excess of \$50.0 million less any restricted payments made for the prior sixteen fiscal quarters plus the aggregate cash contributions made to us during that period if its consolidated fixed charge coverage ratio as defined in the indenture is less than or equal to 1.75 to 1.00.

See the first risk factor under “Risks Arising from Our Partnership Structure and Relationship with Our General Partner” for a description of the restrictions on the operating partnership’s ability to distribute cash to Ferrellgas Partners. Any indenture applicable to future issuances of debt securities by Ferrellgas Partners or the operating partnership may contain restrictions that are the same as or similar to those in their existing debt agreements.

Ferrellgas Partners may sell additional limited partner interests, diluting existing interests of unitholders.

The partnership agreement of Ferrellgas Partners generally allows Ferrellgas Partners to issue additional limited partner interests and other equity securities. When Ferrellgas Partners issues additional equity securities, a unitholder’s proportionate partnership interest will decrease. Such an issuance could negatively affect the amount of cash distributed to unitholders and the market price of common units. The issuance of additional common units will also diminish the relative voting strength of the previously outstanding common units. In addition, Ferrellgas Partners may issue preferred or other securities that could have a preferred right to distributions or other priority economic terms, which could negatively affect the value of common units.

Persons owning 20% or more of Ferrellgas Partners’ common units cannot vote. This limitation does not apply to common units owned by Ferrell Companies, our general partner and its affiliates.

All common units held by a person that owns 20% or more of Ferrellgas Partners’ common units cannot be voted. This provision may:

- discourage a person or group from attempting to remove our general partner or otherwise change management; and
- reduce the price at which our common units will trade under various circumstances.

This limitation does not apply to our general partner and its affiliates. Ferrell Companies, the parent of our general partner, beneficially owns all of the outstanding capital stock of our general partner in addition to approximately 23.4% of our common units.

We no longer qualify as a “well-known seasoned issuer,” which limits our ability to access the capital markets in a timely fashion.

The filing of this annual report will render us unable to use our currently effective universal shelf Form S-3 registration statement as we no longer meet the criteria of a “well-known seasoned issuer” under which the Form S-3 registration statement was originally filed as an automatic shelf registration statement. This is a result of our non-affiliated common unitholder public float being less than \$700.0 million. If we wish to continue to use such registration statement to issue securities from time to time, we will need to file a post-effective amendment to the registration statement to convert it to a non-automatic shelf registration statement that we are eligible to use. Such post-effective amendment is subject to review by the SEC and must be declared effective by the SEC, which could delay our ability to raise debt or equity capital under the registration statement and adversely affect our ability to access financing and the capital markets in a timely fashion.

Risks Arising from Our Partnership Structure and Relationship with Our General Partner

Ferrellgas Partners is a holding entity and has no material operations or assets. Accordingly, Ferrellgas Partners is dependent on distributions from the operating partnership to service its obligations. These distributions are not guaranteed and may be restricted.

Ferrellgas Partners is a holding entity for our subsidiaries, including the operating partnership. Ferrellgas Partners has no material operations and only limited assets. Ferrellgas Partners Finance Corp. is Ferrellgas Partners' wholly-owned finance subsidiary, serves as a co-obligor on any of its debt securities, conducts no business and has nominal assets. Accordingly, Ferrellgas Partners is dependent on cash distributions from the operating partnership and its subsidiaries to service obligations of Ferrellgas Partners. The operating partnership is required to distribute all of its available cash each fiscal quarter, less the amount of cash reserves that our general partner determines is necessary or appropriate in its reasonable discretion to provide for the proper conduct of our business, to provide funds for distributions over the next four fiscal quarters or to comply with applicable law or with any of our debt or other agreements. This discretion may limit the amount of available cash the operating partnership



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may distribute to Ferrellgas Partners each fiscal quarter. Holders of Ferrellgas Partners' securities will not receive payments required by those securities unless the operating partnership is able to make distributions to Ferrellgas Partners after the operating partnership first satisfies its obligations under the terms of its own borrowing arrangements and reserves any necessary amounts to meet its own financial obligations.

In addition, the various agreements governing the operating partnership's indebtedness and other financing transactions permit quarterly distributions only so long as each distribution does not exceed a specified amount, the operating partnership meets a specified financial ratio and no default exists or would result from such distribution. Those agreements include the indentures governing the operating partnership's existing notes, secured credit facility and an accounts receivable securitization facility. Each of these agreements contains various negative and affirmative covenants applicable to the operating partnership and some of these agreements require the operating partnership to maintain specified financial ratios. If the operating partnership violates any of these covenants or requirements, a default may result and distributions would be limited. These covenants limit the operating partnership's ability to, among other things:

- incur additional indebtedness;
- engage in transactions with affiliates;
- create or incur liens;
- sell assets;
- make restricted payments, loans and investments;
- enter into business combinations and asset sale transactions; and
- engage in other lines of business.

Unitholders have limits on their voting rights; our general partner manages and operates us, thereby generally precluding the participation of our unitholders in operational decisions.

Our general partner manages and operates us. Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business. Amendments to the agreement of limited partnership of Ferrellgas Partners may be proposed only by or with the consent of our general partner. Proposed amendments must generally be approved by holders of at least a majority of our outstanding common units.

Unitholders will have no right to elect our general partner, or any directors of our general partner on an annual or other continuing basis, nor will any proxies be received for such voting. Our general partner may not be removed except pursuant to:

- the vote of the holders of at least 66 2/3% of the outstanding units entitled to vote thereon, which includes the common units owned by our general partner and its affiliates; and
- upon the election of a successor general partner by the vote of the holders of not less than a majority of the outstanding common units entitled to vote.

Because Ferrell Companies is the parent of our general partner and beneficially owns 23.4% of our outstanding common units, and James E. Ferrell, Interim Chief Executive Officer and President of our general partner; and Chairman of the Board of Directors of our general partner, indirectly owns 4.9% of our outstanding common units, amendments to the agreement of limited partnership of Ferrellgas Partners or the removal of our general partner are unlikely if neither Ferrell Companies, nor Mr. Ferrell consent to such action.

Our general partner has a limited call right with respect to the limited partner interests of Ferrellgas Partners.

If at any time less than 20% of the then-issued and outstanding limited partner interests of any class of Ferrellgas Partners are held by persons other than our general partner and its affiliates, our general partner has the right, which it may assign to any of its affiliates or to us, to acquire all, but not less than all, of the remaining limited partner interests of such class held by such unaffiliated persons at a price generally equal to the then-current market price of limited partner interests of such class. As a consequence, a unitholder may be required to sell its common units at a time when the unitholder may not desire to sell them or at a price that is less than the price desired to be received upon such sale.

Unitholders may not have limited liability in specified circumstances and may be liable for the return of distributions.

The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some states. If it were determined that we had been conducting business in any state without compliance with the applicable limited partnership statute, or that the right, or the exercise of the right by the limited partners as a group, to:

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remove or replace our general partner;  
make specified amendments to our partnership agreements; or  
take other action pursuant to our partnership agreements that constitutes participation in the “control” of our business,

then the limited partners could be held liable in some circumstances for our obligations to the same extent as a general partner.

In addition, under some circumstances a unitholder may be liable to us for the amount of a distribution for a period of three years from the date of the distribution. Unitholders will not be liable for assessments in addition to their initial capital investment in our common units. Under Delaware law, we may not make a distribution to our unitholders if the distribution causes all our liabilities to exceed the fair value of our assets. Liabilities to partners on account of their partnership interests and liabilities for which recourse is limited to specific property are not counted for purposes of determining whether a distribution is permitted. Delaware law provides that a limited partner who receives such a distribution and knew at the time of the distribution that the distribution violated the Delaware law will be liable to the limited partnership for the distribution amount for three years from the distribution date. Under Delaware law, an assignee that becomes a substituted limited partner of a limited partnership is liable for the obligations of the assignor to make contributions to the partnership. However, such an assignee is not obligated for liabilities unknown to that assignee at the time such assignee became a limited partner if the liabilities could not be determined from the partnership agreements.

Our general partner’s liability to us and our unitholders may be limited.

The partnership agreements of Ferrellgas Partners and the operating partnership contain language limiting the liability of our general partner to us and to our unitholders. For example, those partnership agreements provide that:

the general partner does not breach any duty to us or our unitholders by borrowing funds or approving any borrowing;  
our general partner is protected even if the purpose or effect of the borrowing is to increase incentive distributions to our general partner;  
our general partner does not breach any duty to us or our unitholders by taking any actions consistent with the standards of reasonable discretion outlined in the definitions of available cash and cash from operations contained in our partnership agreements; and  
our general partner does not breach any standard of care or duty by resolving conflicts of interest unless our general partner acts in bad faith.

The modifications of state law standards of fiduciary duty contained in our partnership agreements may significantly limit the ability of unitholders to successfully challenge the actions of our general partner as being a breach of what would otherwise have been a fiduciary duty. These standards include the highest duties of good faith, fairness and loyalty to the limited partners. Such a duty of loyalty would generally prohibit a general partner of a Delaware limited partnership from taking any action or engaging in any transaction for which it has a conflict of interest. Under our partnership agreements, our general partner may exercise its broad discretion and authority in our management and the conduct of our operations as long as our general partner’s actions are in our best interest.

Our general partner and its affiliates may have conflicts with us.

The directors and officers of our general partner and its affiliates have fiduciary duties to manage itself in a manner that is beneficial to its stockholder. At the same time, our general partner has fiduciary duties to manage us in a manner that is beneficial to us and our unitholders. Therefore, our general partner’s duties to us may conflict with the duties of its officers and directors to its stockholder.

Matters in which, and reasons that, such conflicts of interest may arise include:

decisions of our general partner with respect to the amount and timing of our cash expenditures, borrowings, acquisitions, issuances of additional securities and changes in reserves in any quarter may affect the amount of incentive distributions we are obligated to pay our general partner;

borrowings do not constitute a breach of any duty owed by our general partner to our unitholders even if these borrowings have the purpose or effect of directly or indirectly enabling us to make distributions to the holder of our incentive distribution rights, currently our general partner;

we do not have any employees and rely solely on employees of our general partner and its affiliates;

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under the terms of our partnership agreements, we must reimburse our general partner and its affiliates for costs incurred in managing and operating us, including costs incurred in rendering corporate staff and support services to us;

our general partner is not restricted from causing us to pay it or its affiliates for any services rendered on terms that are fair and reasonable to us or causing us to enter into additional contractual arrangements with any of such entities; neither our partnership agreements nor any of the other agreements, contracts and arrangements between us, on the one hand, and our general partner and its affiliates, on the other, are or will be the result of arms-length negotiations; whenever possible, our general partner limits our liability under contractual arrangements to all or a portion of our assets, with the other party thereto having no recourse against our general partner or its assets;

our partnership agreements permit our general partner to make these limitations even if we could have obtained more favorable terms if our general partner had not limited its liability;

any agreements between us and our general partner or its affiliates will not grant to our unitholders, separate and apart from us, the right to enforce the obligations of our general partner or such affiliates in favor of us; therefore, our general partner will be primarily responsible for enforcing those obligations;

our general partner may exercise its right to call for and purchase common units as provided in the partnership agreement of Ferrellgas Partners or assign that right to one of its affiliates or to us;

our partnership agreements provide that it will not constitute a breach of our general partner's fiduciary duties to us for its affiliates to engage in activities of the type conducted by us, other than retail propane sales to end users in the continental United States in the manner engaged in by our general partner immediately prior to our initial public offering, even if these activities are in direct competition with us;

our general partner and its affiliates have no obligation to present business opportunities to us;

our general partner selects the attorneys, accountants and others who perform services for us, and these persons may also perform services for our general partner and its affiliates; however, our general partner is authorized to retain separate counsel for us or our unitholders, depending on the nature of the conflict that arises; and

James E. Ferrell is the Interim Chief Executive Officer and President of our general partner; and is the Chairman of the Board of Directors of our general partner. Mr. Ferrell also owns other companies with whom we may, from time to time, conduct transactions within our ordinary course of business. Mr. Ferrell's ownership of these entities may conflict with his duties as a director of our general partner, including our relationship and conduct of business with any of Mr. Ferrell's companies.

See "Conflicts of Interest" and "Fiduciary Responsibilities" below.

Ferrell Companies may transfer the ownership of our general partner, which could cause a change of our management and affect the decisions made by our general partner regarding resolutions of conflicts of interest.

Ferrell Companies, the owner of our general partner, may transfer the capital stock of our general partner without the consent of our unitholders. In such an instance, our general partner will remain bound by our partnership agreements. If, however, through share ownership or otherwise, persons not now affiliated with our general partner were to acquire its general partner interest in us or effective control of our general partner, our management and resolutions of conflicts of interest, such as those described above, could change substantially.

Our general partner may voluntarily withdraw or sell its general partner interest.

Our general partner may withdraw as the general partner of Ferrellgas Partners and the operating partnership without the approval of our unitholders. Our general partner may also sell its general partner interest in Ferrellgas Partners and the operating partnership without the approval of our unitholders. Any such withdrawal or sale could have a material adverse effect on us and could substantially change the management and resolutions of conflicts of interest, as described above.

Our general partner can protect itself against dilution.

Whenever we issue equity securities to any person other than our general partner and its affiliates, our general partner has the right to purchase additional limited partner interests on the same terms. This allows our general partner to maintain its partnership interest in us. No other unitholder has a similar right. Therefore, only our general partner may protect itself against dilution caused by our issuance of additional equity securities.

Tax Risks

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The IRS could treat us as a corporation for tax purposes or changes in federal or state laws could subject us to entity-level taxation, which would substantially reduce the cash available for distribution to our unitholders.

The anticipated after-tax economic benefit of an investment in us depends largely on our being treated as a partnership for federal income tax purposes. We believe that, under current law, we have been and will continue to be classified as a partnership for federal income tax purposes; however, we have not requested, and do not plan to request, a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes. One of the requirements for such classification is that at least 90% of our gross income for each taxable year has been and will be “qualifying income” within the meaning of Section 7704 of the Internal Revenue Code. Whether we will continue to be classified as a partnership in part depends on our ability to meet this qualifying income test in the future.

If we were classified as a corporation for federal income tax purposes, we would pay tax on our income at corporate rates, currently 35% at the federal level, and we would probably pay additional state income taxes as well. In addition, distributions would generally be taxable to the recipient as corporate dividends and no income, gains, losses or deductions would flow through to our unitholders. Because a tax would be imposed upon us as a corporation, the cash available for distribution to our unitholders would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to our unitholders and thus would likely result in a substantial reduction in the value of our common units.

A change in current law or a change in our business could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to entity-level taxation. Our partnership agreements provide that if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity-level taxation for federal, state or local income tax purposes, provisions of our partnership agreements will be subject to change. These changes would include a decrease in the minimum quarterly distribution and the target distribution levels to reflect the impact of such law on us.

The tax treatment of publicly traded partnerships could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.

The present U.S. federal income tax treatment of publicly traded partnerships, including us, may be modified by administrative, legislative or judicial interpretation at any time. Any modification to the U.S. federal income tax laws and interpretations thereof may or may not be applied retroactively and could make it more difficult or impossible to meet the exception for us to be treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation, affect or cause us to change our business activities, affect the tax considerations of an investment in us and change the character or treatment of portions of our income.

We are unable to predict whether any of these changes, or other proposals, will ultimately be enacted. Any such changes could cause a material reduction in our anticipated cash flows and could cause us to be treated as an association taxable as a corporation for U.S. federal income tax purposes subjecting us to the entity-level tax and adversely affecting the value of our common units.

A successful IRS contest of the federal income tax positions we take may reduce the market value of our common units and the costs of any contest will be borne by us and therefore indirectly by our unitholders and our general partner.

We have not requested, and do not plan to request, a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes. The IRS may adopt positions that differ from those expressed herein or from the positions we take. It may be necessary to resort to administrative or court proceedings in an effort to sustain some or all of the positions we take, and some or all of these positions ultimately may not be sustained. Any contest with the IRS may materially reduce the market value of our common units and the prices at which our common units trade. In addition, our costs of any contest with the IRS will be borne by us and therefore indirectly by our unitholders and our

general partner.

You will be required to pay taxes on your share of our income even if you do not receive cash distributions from us. You will be required to pay any federal income taxes and, in some cases, state and local income taxes on your share of our taxable income, including our taxable income associated with a disposition of property or cancellation of debt, whether or not you receive cash distributions from us. You may not receive cash distributions from us equal to your share of our taxable income or even equal to the actual tax liability which results from that income.

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We are currently undertaking a debt and interest expense reduction strategy. As such, we may engage in transactions that could have significant adverse tax consequences to our unitholders. For example, we may sell some of our assets and use the proceeds to pay down debt or fund capital expenditures rather than distributing the proceeds to our unitholders, and some or all of our unitholders may be allocated substantial taxable income and gain resulting from the sale without receiving a cash distribution. We may also engage in transactions to reduce our existing debt, such as debt exchanges, debt repurchases, or modifications of our existing debt, that could result in cancellation of indebtedness income (COD income) being allocated to our unitholders as taxable income. Any COD income may cause a unitholder to be allocated income with respect to our units with no corresponding distribution of cash to fund the payment of the resulting tax liability to the unitholder.

The ultimate effect of any such allocations will depend on the unitholder's individual tax position with respect to its units. Unitholders are encouraged to consult their tax advisors with respect to the consequences to them of this income.

The ratio of taxable income to cash distributions could be higher or lower than our estimates, which could result in a material reduction of the market value of our common units.

We estimate that a person who acquires common units in the 2017 calendar year and owns those common units through the record dates for all cash distributions payable for all periods within the 2017 calendar year will be allocated, on a cumulative basis, an amount of federal taxable income that will be less than 10% of the cumulative cash distributed to such person for those periods. The taxable income allocable to a unitholder for subsequent periods may constitute an increasing percentage of distributable cash. These estimates are based on several assumptions and estimates that are subject to factors beyond our control. Accordingly, the actual percentage of distributions that will constitute taxable income could be higher or lower and any differences could result in a material reduction in the market value of our common units.

There are limits on the deductibility of losses.

In the case of unitholders subject to the passive loss rules (generally, individuals, closely held corporations and regulated investment companies), any losses generated by us will only be available to offset our future income and cannot be used to offset income from other activities, including passive activities or investments. Unused losses may be deducted when the unitholder disposes of its entire investment in us in a fully taxable transaction with an unrelated party. A unitholder's share of our net passive income may be offset by unused losses carried over from prior years, but not by losses from other passive activities, including losses from other publicly-traded partnerships.

Tax gain or loss on the disposition of our common units could be different than expected.

If a unitholder sells their common units, the unitholder will recognize a gain or loss equal to the difference between the amount realized and its tax basis in those common units. Prior distributions in excess of the total net taxable income the unitholder was allocated for a common unit, which decreased its tax basis in that common unit, will, in effect, become taxable income to the unitholder if the common unit is sold at a price greater than its tax basis in that common unit, even if the price received is less than its original cost. A substantial portion of the amount realized, whether or not representing a gain, will likely be ordinary income to that unitholder. Should the IRS successfully contest some positions we take, a selling unitholder could recognize more gain on the sale of units than would be the case under those positions, without the benefit of decreased income in prior years. In addition, if a unitholder sells its units, the unitholder may incur a tax liability in excess of the amount of cash that unitholder receives from the sale.

Tax-exempt entities, regulated investment companies, and foreign persons face unique tax issues from owning common units that may result in additional tax liability or reporting requirements for them.

An investment in common units by tax-exempt entities, such as employee benefit plans, individual retirement accounts, regulated investment companies, generally known as mutual funds, and non-U.S. persons, raises issues unique to them. For example, virtually all of our income allocated to organizations exempt from federal income tax, including individual retirement accounts and other retirement plans, will be unrelated business taxable income and thus will be taxable to them. Net income from a “qualified publicly-traded partnership” is qualifying income for a regulated investment company, or mutual fund. However, no more than 25% of the value of a regulated investment company’s total assets may be invested in the securities of one or more qualified publicly-traded partnerships. We expect to be treated as a qualified publicly-traded partnership. Distributions to non-U.S. persons will be reduced by withholding taxes, at the highest effective tax rate applicable to individuals, and non-U.S. persons will be required to file federal income tax returns and generally pay tax on their share of our taxable income.

Certain information relating to a unitholder’s investment may be subject to special IRS reporting requirements.

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Treasury regulations require taxpayers to report particular information on Form 8886 if they participate in a “reportable transaction.” Unitholders may be required to file this form with the IRS. A transaction may be a reportable transaction based upon any of several factors. The IRS may impose significant penalties on a unitholder for failure to comply with these disclosure requirements. Disclosure and information maintenance obligations are also imposed on “material advisors” that organize, manage or sell interests in reportable transactions, which may require us or our material advisors to maintain and disclose to the IRS certain information relating to unitholders.

An audit of us may result in an adjustment or an audit of a unitholder’s own tax return.

We may be audited by the IRS and tax adjustments could be made. The rights of a unitholder owning less than a 1% interest in us to participate in the income tax audit process are very limited. Further, any adjustments in our tax returns will lead to adjustments in the unitholders’ tax returns and may lead to audits of unitholders’ tax returns and adjustments of items unrelated to us. A unitholder will bear the cost of any expenses incurred in connection with an examination of its personal tax return.

Pursuant to the Bipartisan Budget Act of 2015, if the IRS makes audit adjustments to our income tax returns for tax years beginning after 2017, it may collect any resulting taxes (including any applicable penalties and interest) directly from us. We will generally have the ability to shift any such tax liability to our General Partner and our unitholders in accordance with their interests in us during the year under audit, but there can be no assurance that we will be able to do so under all circumstances. If we are required to make payments of taxes, penalties and interest resulting from audit adjustments, our cash available for distribution to our unitholders might be substantially reduced.

Reporting of partnership tax information is complicated and subject to audits; we cannot guarantee conformity to IRS requirements.

We will furnish each unitholder with a Schedule K-1 that sets forth that unitholder’s allocable share of income, gains, losses and deductions. In preparing these schedules, we will use various accounting and reporting conventions and adopt various depreciation and amortization methods. We cannot guarantee that these schedules will yield a result that conforms to statutory or regulatory requirements or to administrative pronouncements of the IRS. If any of the information on these schedules is successfully challenged by the IRS, the character and amount of items of income, gain, loss or deduction previously reported by unitholders might change, and unitholders might be required to adjust their tax liability for prior years and incur interest and penalties with respect to those adjustments.

Unitholders may lose tax benefits as a result of nonconforming depreciation conventions.

Because we cannot match transferors and transferees of common units, uniformity of the economic and tax characteristics of our common units to a purchaser of common units of the same class must be maintained. To maintain uniformity and for other reasons, we have adopted certain depreciation and amortization conventions which we believe conform to Treasury Regulations under 743(b) of the Internal Revenue Code. A successful IRS challenge to those positions could reduce the amount of tax benefits available to our unitholders. A successful challenge could also affect the timing of these tax benefits or the amount of gain from the sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to a unitholder’s tax returns.

As a result of investing in our common units, a unitholder will likely be subject to state and local taxes and return filing requirements in jurisdictions where it does not live.

In addition to federal income taxes, unitholders will likely be subject to other taxes, such as state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property. A unitholder will likely be required to file state and local income tax returns

and pay state and local income taxes in some or all of the various jurisdictions in which we do business or own property and may be subject to penalties for failure to comply with those requirements. We currently conduct business in all 50 states, the District of Columbia and Puerto Rico. It is a unitholder's responsibility to file all required federal, state and local tax returns.

States may subject partnerships to entity-level taxation in the future, thereby decreasing the amount of cash available to us for distributions and potentially causing a decrease in our distribution levels, including a decrease in the minimum quarterly distribution.

Several states have enacted or are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. If additional states were to impose a tax upon us as an entity, the cash available for distribution to unitholders would be reduced. The partnership agreements of Ferrellgas Partners and the operating partnership

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each provide that if a law is enacted or existing law is modified or interpreted in a manner that subjects one or both partnerships to taxation as a corporation or otherwise subjects one or both partnerships to entity-level taxation for federal, state or local income tax purposes, provisions of one or both partnership agreements will be subject to change. These changes would include a decrease in the minimum quarterly distribution and the target distribution levels to reflect the impact of those taxes.

Unitholders may have negative tax consequences if we default on our debt or sell assets.

If we default on any of our debt, the lenders will have the right to sue us for non-payment. That action could cause an investment loss and negative tax consequences for our unitholders through the realization of taxable income by unitholders without a corresponding cash distribution. Likewise, if we were to dispose of assets and realize a taxable gain while there is substantial debt outstanding and proceeds of the sale were applied to the debt, our unitholders could have increased taxable income without a corresponding cash distribution.

A unitholder whose common units are the subject of a securities loan (e.g., a loan to a “short seller” to cover a short sale of common units) may be considered as having disposed of those common units. If so, the unitholder would no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan and may recognize gain or loss from the disposition.

Because there are no specific rules governing the U.S. federal income tax consequences of loaning a partnership interest, a unitholder whose common units are the subject of a securities loan may be considered as having disposed of the loaned units. In that case, the unitholder may no longer be treated for tax purposes as a partner with respect to those common units during the period of the loan and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan, any of our income, gain, loss or deduction with respect to those common units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those common units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a loan to a short seller should modify any applicable brokerage account agreements to prohibit their brokers from borrowing their common units.

The sale or exchange of 50% or more of our capital and profits interests within a twelve-month period will result in the termination of our partnership for federal income tax purposes.

We will be considered to have constructively terminated as a partnership for federal income tax purposes if there is a sale or exchange within a twelve-month period of 50% or more of the total interests in our capital and profits. For purposes of determining whether the 50% threshold has been met, multiple sales of the same interest will be counted only once. Our termination would, among other things, result in the closing of our taxable year for all unitholders which could result in us filing two tax returns (and unitholders receiving two Schedule K-1s) for one calendar year. Our termination could also result in a deferral of depreciation deductions allowable in computing our taxable income. In the case of a unitholder reporting on a taxable year other than a calendar year, the closing of our taxable year may also result in more than twelve months of our taxable income or loss being includable in its taxable income for the year of termination. Our termination would not affect our classification as a partnership for federal income tax purposes, but instead, we would be treated as a new partnership for federal income tax purposes. If treated as a new partnership, we must make new tax elections and could be subject to penalties if we are unable to determine that a termination occurred. Pursuant to an IRS relief procedure, a publicly traded partnership that has technically terminated may request special relief which, if granted by the IRS, among other things, would permit the partnership to provide only a single Schedule K-1 to unitholders for the tax years in which the termination occurs.

### Conflicts of Interest

Conflicts of interest could arise as a result of the relationships between us, on the one hand, and our general partner and its affiliates, on the other. The directors and officers of our general partner have fiduciary duties to manage our general partner in a manner beneficial to its stockholder. At the same time, our general partner has fiduciary duties to manage us in a manner beneficial to us and our unitholders. The duties of our general partner to us and our

unitholders, therefore, may conflict with the duties of the directors and officers of our general partner to its stockholder.

Matters in which, and reasons that, such conflicts of interest may arise include:

decisions of our general partner with respect to the amount and timing of our cash expenditures, borrowings, acquisitions, issuances of additional securities and changes in reserves in any quarter may affect the amount of incentive distributions we are obligated to pay our general partner;

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borrowings do not constitute a breach of any duty owed by our general partner to our unitholders even if these borrowings have the purpose or effect of directly or indirectly enabling us to make distributions to the holder of our incentive distribution rights, currently our general partner;

- we do not have any employees and rely solely on employees of our general partner and its affiliates;
- under the terms of our partnership agreements, we must reimburse our general partner and its affiliates for costs incurred in managing and operating us, including costs incurred in rendering corporate staff and support services to us;
- our general partner is not restricted from causing us to pay it or its affiliates for any services rendered on terms that are fair and reasonable to us or causing us to enter into additional contractual arrangements with any of such entities;
- neither our partnership agreements nor any of the other agreements, contracts and arrangements between us, on the one hand, and our general partner and its affiliates, on the other, are or will be the result of arms-length negotiations;
- whenever possible, our general partner limits our liability under contractual arrangements to all or a portion of our assets, with the other party thereto having no recourse against our general partner or its assets;
- our partnership agreements permit our general partner to make these limitations even if we could have obtained more favorable terms if our general partner had not limited its liability;

any agreements between us and our general partner or its affiliates will not grant to our unitholders, separate and apart from us, the right to enforce the obligations of our general partner or such affiliates in favor of us; therefore, our general partner will be primarily responsible for enforcing those obligations;

- our general partner may exercise its right to call for and purchase common units as provided in the partnership agreement of Ferrellgas Partners or assign that right to one of its affiliates or to us;
- our partnership agreements provide that it will not constitute a breach of our general partner's fiduciary duties to us for its affiliates to engage in activities of the type conducted by us, other than retail propane sales to end users in the continental United States in the manner engaged in by our general partner immediately prior to our initial public offering, even if these activities are in direct competition with us;
- our general partner and its affiliates have no obligation to present business opportunities to us;
- our general partner selects the attorneys, accountants and others who perform services for us. These persons may also perform services for our general partner and its affiliates. Our general partner is authorized to retain separate counsel for us or our unitholders, depending on the nature of the conflict that arises; and

James E. Ferrell is the Interim Chief Executive Officer and President of our general partner; and is the Chairman of the Board of Directors of our general partner. Mr. Ferrell also owns other companies with whom we may, from time to time, conduct transactions within our ordinary course of business. Mr. Ferrell's ownership of these entities may conflict with his duties as a director of our general partner, including our relationship and conduct of business with any of Mr. Ferrell's companies.

## Fiduciary Responsibilities

Unless otherwise provided for in a partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness and loyalty and which generally prohibit the general partner from taking any action or engaging in any transaction as to which it has a conflict of interest. Our partnership agreements expressly permit our general partner to resolve conflicts of interest between itself or its affiliates, on the one hand, and us or our unitholders, on the other, and to consider, in resolving such conflicts of interest, the interests of other parties in addition to the interests of our unitholders. In addition, the partnership agreement of Ferrellgas Partners provides that a purchaser of common units is deemed to have consented to specified conflicts of interest and actions of our general partner and its affiliates that might otherwise be prohibited, including those described above, and to have agreed that such conflicts of interest and actions do not constitute a breach by our general partner of any duty stated or implied by law or equity. Our general partner will not be in breach of its obligations under our partnership agreements or its duties to us or our unitholders if the resolution of such conflict is fair and reasonable to us. Any resolution of a conflict approved by the audit committee of our general partner is conclusively deemed fair and reasonable to us. The latitude

given in our partnership agreements to our general partner in resolving conflicts of interest may significantly limit the ability of a unitholder to challenge what might otherwise be a breach of fiduciary duty.

The partnership agreements of Ferrellgas Partners and the operating partnership expressly limit the liability of our general partner by providing that our general partner, its affiliates and their respective officers and directors will not be liable for monetary damages to us, our unitholders or assignees thereof for errors of judgment or for any acts or omissions if our general partner and such other persons acted in good faith. In addition, we are required to indemnify our general partner, its affiliates and their respective officers, directors, employees, agents and trustees to the fullest extent permitted by law against liabilities, costs and expenses incurred by our general partner or such other persons if our general partner or such persons acted in good faith and



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in a manner it or they reasonably believed to be in, or (in the case of a person other than our general partner) not opposed to, the best interests of us and, with respect to any criminal proceedings, had no reasonable cause to believe the conduct was unlawful.

## ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

## ITEM 2. PROPERTIES.

We own or lease the following transportation equipment at July 31, 2017 that is utilized primarily in the distribution of propane and related equipment sales operations:

	Owned	Leased	Total
Truck tractors	106	85	191
Propane transport trailers	272	2	274
Portable tank delivery trucks	210	303	513
Portable tank exchange delivery trailers	233	62	295
Bulk propane delivery trucks	720	740	1,460
Pickup and service trucks	648	386	1,034
Passenger vehicles	7	64	71
Other trailers	27	—	27
Railroad tank cars	—	63	63

The propane transport trailers have an average capacity of approximately 10,000 gallons. The bulk propane delivery trucks are generally fitted with tanks ranging in size from 2,600 to 3,500 gallons. Each railroad tank car has a capacity of approximately 30,000 gallons.

We typically manage our propane distribution locations using a structure where one location, referred to as a service center, is staffed to provide oversight and management to multiple distribution locations, referred to as service units. At July 31, 2017, our propane distribution locations were comprised of 61 service centers and 789 service units. The service unit locations utilize hand-held computers and cellular or satellite technology to communicate with management typically located in the associated service center. We believe this structure together with our technology platform allows us to more efficiently route and schedule customer deliveries and significantly reduces the need for daily on-site management.

We also distributed propane for portable tank exchanges from 22 independently-owned distributors at July 31, 2017.

We owned approximately 49.5 million gallons of propane storage capacity at our propane distribution locations at July 31, 2017. We owned our land and buildings in the local markets of approximately 60% of our operating locations and leased the remaining facilities on terms customary in the industry at July 31, 2017.

We owned approximately 0.8 million propane tanks at July 31, 2017, most of which are located on customer property and rented to those customers. We also owned approximately 4.1 million portable propane tanks at July 31, 2017, most of which are used by us to deliver propane to our portable tank exchange customers and to deliver propane to our industrial/commercial customers.

At July 31, 2017, we leased approximately 57.2 million gallons of propane storage capacity located at underground storage facilities and pipelines at various locations around the United States.

We own or lease the following transportation equipment at July 31, 2017 that is utilized primarily within our midstream operations - crude oil logistics business:

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	Owned	Leased	Total
Truck tractors	353	1	354
Pickup and service trucks	27	8	35
Passenger vehicles	6	—	6
Crude oil trailers	619	35	654
Other trailers	83	11	94
Railroad tank cars	1,292	—	1,292
Pipeline injection terminals	10	—	10

Additionally, at July 31, 2017, our crude oil logistics business also included approximately 20 MBbls/d of capacity on multiple crude oil pipelines.

We own salt water disposal sites for use in our midstream operations - water solutions business. The location of the facilities and the permitted processing capacities at which the facilities operate are summarized below:

Location name	Region	Permitted Capacity (barrels per day)
Gillet, Texas (A)	Eagle Ford shale	25,000
Engler, Texas (A)	Eagle Ford shale	25,000
Helena, Texas (A)	Eagle Ford shale	25,000
Kenedy, Texas (B)	Eagle Ford shale	25,000
Dilley, Texas (B)	Eagle Ford shale	25,000
Diertert, Texas (A)	Eagle Ford shale	10,000
Gerold, Texas (A)	Eagle Ford shale	25,000
Mellenbruch, Texas (A)	Eagle Ford shale	20,000
Hirsch, Texas (A)	Eagle Ford shale	20,000
Asherton, Texas (B)	Eagle Ford shale	25,000

(A) These facilities are located on land we lease.

(B) These facilities are located on land we own.

At July 31, 2017, we owned 65.7 acres of land in the Eagle Ford shale region of south Texas that house three of our salt water disposal sites and we leased 272.6 acres of land in the Eagle Ford shale region of south Texas that house seven of our salt water disposal sites.

At July 31, 2017, we leased 73,988 square feet of office space at separate locations that comprise our corporate headquarters in the Kansas City metropolitan area.

We believe that we have satisfactory title to or valid rights to use all of our material properties. Although some of those properties may be subject to liabilities and leases, liens for taxes not yet currently due and payable and immaterial encumbrances, easements and restrictions, we do not believe that any such burdens will materially interfere with the continued use of such properties in our business. We believe that we have obtained, or are in the process of obtaining, all required material approvals. These approvals include authorizations, orders, licenses, permits, franchises, consents of, registrations, qualifications and filings with, the various state and local governmental and regulatory authorities which relate to our ownership of properties or to our operations.

ITEM 3. 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 our consolidated financial condition, results of operations and cash flows.

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We have been named as a defendant, along with a competitor, in putative class action lawsuits filed in multiple jurisdictions. The lawsuits, which were consolidated in the Western District of Missouri on October 16, 2014, allege that we and a competitor coordinated in 2008 to reduce the fill level in barbecue cylinders and combined to persuade a common customer to accept that fill reduction, resulting in increased cylinder costs to direct customers 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. The Federal Court for the Western District of Missouri has dismissed all claims brought by direct and indirect customers other than state law claims of indirect customers under Wisconsin, Maine and Vermont law. The direct customer plaintiffs have filed an appeal, which resulted in a reversal of the district court's dismissal. We intend to file a petition for a writ of certiorari with the U.S. Supreme Court. The direct customer plaintiffs have agreed to a stay of the case pending a decision on the petition and, if granted, the appeal. A direct appeal by the indirect customer plaintiffs remains pending. 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. Plaintiffs voluntarily dismissed these claims in exchange for a waiver of costs.

We have been named, along with several current and former officers, in several class action lawsuits alleging violations of certain securities laws based on alleged materially false and misleading statements in certain of our public disclosures. The lawsuits, the first of which was filed on October 6, 2016 in the Southern District of New York, seek unspecified compensatory damages. Derivative lawsuits with similar allegations have been filed naming Ferrellgas and several current and former officers and directors as defendants. We believe that we have defenses and will vigorously defend these cases. We do not believe loss is probable or reasonably estimable at this time related to the putative class action lawsuits or the derivative action.

On October 21, 2016, Julio E. Rios II, an Executive Vice President of the general partner and the President and Chief Executive Officer of Bridger Logistics, LLC, and Jeremy H. Gamboa, also an Executive Vice President of the general partner and the Chief Operating Officer of Bridger Logistics, LLC, both delivered notice of "good reason" for resignation to the general partner pursuant to their employment agreements alleging that the general partner had materially diminished their responsibilities and stating their intention to resign as a result if such purported material diminution was not cured within 30 days.

On November 28, 2016, Mr. Rios and Mr. Gamboa each resigned from their positions, purportedly for "good reason" pursuant to their employment agreements and made a claim for severance. In September 2017 we reached a settlement with Mr. Rios and Mr. Gamboa.

We and Bridger Logistics, LLC, have been named, along with two former officers, in a lawsuit filed by Eddystone Rail Company ("Eddystone") on February 2, 2017 in the Eastern District of Pennsylvania (the "EDPA Lawsuit"). Eddystone indicated that it has prevailed or settled an arbitration against Jamex Transfer Services ("JTS"), then named Bridger Transfer Services, a former subsidiary of Bridger Logistics, LLC ("Bridger"). The arbitration involved a claim against JTS for money due for deficiency payments under a contract for the use of an Eddystone facility used to offload crude from rail onto barges. Eddystone alleges that we transferred assets out of JTS prior to the sale of the membership interest in JTS to Jamex Transfer Holdings, and that those transfers should be avoided so that the assets can be used to satisfy the amount owed by JTS to Eddystone under the arbitration. Eddystone also alleges that JTS was an "alter ego" of Bridger, and that Bridger therefore should be responsible for the amount owed pursuant to the arbitration. We believe that we and Bridger have valid defenses to these claims and to Eddystone's primary claim against JTS on the contract claim. The lawsuit does not specify a specific amount of damages that Eddystone is

seeking; however we believe that the amount of such damage claims, if ultimately owed to Eddystone, likely would be material. We intend to vigorously defend this claim. The lawsuit is in its very early stages; as such, management does not currently believe a loss is probable or reasonably estimable at this time. On August 24, 2017, Eddystone filed a third-party complaint against JTS, Jamex Transfer Holdings, and other related persons and entities, asserting claims for breach of contract, indemnification of any losses in the EDPA Lawsuit, tortious interference with contract, and contribution.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANTS' COMMON EQUITY, RELATED UNITHOLDER AND STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Common Units of Ferrellgas Partners

Our common units represent limited partner interests in Ferrellgas Partners and are listed and traded on the New York Stock Exchange under the symbol "FGP." As of August 31, 2017, we had 515 common unitholders of record. The following table sets forth the high and low sales prices for our common units on the New York Stock Exchange and the cash distributions declared per common unit for our fiscal periods indicated.

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	Common Unit Price Range		Distributions
	High	Low	Declared Per Unit
2016 Fiscal Year			
First Quarter	\$22.64	\$19.54	\$ 0.5125
Second Quarter	20.98	14.36	0.5125
Third Quarter	18.81	15.16	0.5125
Fourth Quarter	20.68	16.48	0.5125
2017 Fiscal Year			
First Quarter	\$20.43	\$8.73	\$ 0.10
Second Quarter	8.68	5.21	0.10
Third Quarter	7.62	5.76	0.10
Fourth Quarter	5.96	4.26	0.10

We make quarterly cash distributions of our available cash. Available cash is defined in our partnership agreement as, generally, the sum of our consolidated cash receipts less consolidated cash disbursements and changes in cash reserves established by our general partner for future requirements. To the extent necessary and due to the seasonal nature of our operations, we will generally reserve a portion of the cash inflows from our second and third fiscal quarters for distributions during our first and fourth fiscal quarters.

As more fully described in Item 7. Management's Discussion & Analysis under the subheading "Financial Covenants", the indenture governing the outstanding notes of Ferrellgas Partners includes a consolidated fixed charge ratio test for the incurrence of debt and the making of restricted payments. This covenant requires that the ratio of trailing four quarters EBITDA to interest expense (both as adjusted for certain, specified items) be at least 1.75x before a restricted payment can be made. At July 31, 2017 this ratio was 1.50x.

This covenant allows us to make restricted payments of up to \$50.0 million in total over a 16 quarter period while the consolidated fixed charge coverage ratio is below 1.75x. On September 14, 2017, we made a restricted payment for the quarter ended July 31, 2017 of \$9.8 million and now have \$40.2 million available for future restricted payments. If our consolidated fixed charge coverage ratio does not improve to at least 1.75x and we continue our current quarterly distribution rate of \$0.10 per common unit, this covenant will not allow us to make common unit distributions for our quarter ending October 31, 2018 and beyond.

#### Recent Sales of Unregistered Securities

There were none during fiscal 2017.

#### Repurchase of Equity Securities

There were none during the fourth quarter of fiscal 2017.

#### Ferrellgas Partners Tax Matters

Ferrellgas Partners is a master limited partnership and thus not subject to federal income taxes. Instead, our common unitholders are required to report for income tax purposes their allocable share of our income, gains, losses, deductions and credits, regardless of whether we make distributions to our common unitholders. Accordingly, each

common unitholder should consult its own tax advisor in analyzing the federal, state, and local tax consequences applicable to its ownership or disposition of our common units. Ferrellgas Partners reports its tax information on a calendar year basis, while financial reporting is based on a fiscal year ending July 31.

#### Common Equity of Other Registrants

There is no established public trading market for the common equity of the operating partnership, Ferrellgas Partners Finance Corp. or Ferrellgas Finance Corp. Our general partner owns all of the general partner interest, and Ferrellgas Partners owns all of the limited partner interest, in the operating partnership. All of the common equity of Ferrellgas Partners Finance



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Corp. is held by Ferrellgas Partners and all of the common equity of Ferrellgas Finance Corp. is held by the operating partnership. There are no equity securities of the operating partnership, Ferrellgas Partners Finance Corp. or Ferrellgas Finance Corp. authorized for issuance under any equity compensation plan. During fiscal 2017, there were no issuances of securities of the operating partnership, Ferrellgas Partners Finance Corp. or Ferrellgas Finance Corp.

Neither Ferrellgas Partners Finance Corp. nor Ferrellgas Finance Corp. declared or paid any cash dividends on its common equity during fiscal 2017 or fiscal 2016. The operating partnership may distribute cash to its partners at least four times per fiscal year, as well as any other time necessary (including in connection with acquisitions). See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources – Financing Activities – Distributions” for a discussion of its distributions during fiscal 2017. See Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources” for a discussion of the financial tests and covenants which place limits on the amount of cash that the operating partnership can use to pay distributions.

Equity Compensation Plan Information

See Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters – Securities Authorized for Issuance Under Equity Compensation Plans.”

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## ITEM 6. SELECTED FINANCIAL DATA.

The following tables present selected consolidated historical financial and operating data for Ferrellgas Partners and the operating partnership.

(in thousands, except per unit data)	Ferrellgas Partners, L.P.				
	Year Ended July 31,				
	2017	2016	2015	2014	2013
Income statement data:					
Total revenues	\$1,930,277	\$2,039,367	\$2,024,390	\$2,405,860	\$1,975,467
Interest expense	152,485	137,937	100,396	86,502	89,145
Asset impairments	—	658,118	—	—	—
Net earnings (loss) attributable to Ferrellgas Partners, L.P.	(54,207 )	(665,415 )	29,620	33,211	56,426
Basic and diluted net earnings (loss) per common unitholders' interest	(0.55 )	(6.68 )	0.35	0.41	0.71
Cash distributions declared per common unit	0.40	2.05	2.00	2.00	2.00
Balance sheet data:					
Working capital (1)	\$(43,782 )	\$(77,062 )	\$(44,371 )	\$9,891	\$(21,305 )
Total assets	1,609,969	1,683,306	2,437,729	1,553,564	1,342,163
Long-term debt	1,995,795	1,941,335	1,778,065	1,273,508	1,093,075
Partners' capital (deficit)	(757,510 )	(651,780 )	207,709	(111,646 )	(86,627 )
Operating data (unaudited):					
Propane sales volumes (gallons)	791,123	778,892	878,846	946,570	901,370
Crude oil hauled (barrels)	49,249	79,411	10,447	—	—
Crude oil sold (barrels)	7,470	6,860	702	—	—
Capital expenditures:					
Maintenance	\$17,138	\$16,877	\$19,449	\$18,138	\$15,248
Growth	29,227	96,058	50,388	32,843	25,916
Acquisition	4,395	28,245	901,612	169,430	31,919
Total	\$50,760	\$141,180	\$971,449	\$220,411	\$73,083
Supplemental data (unaudited):					
Adjusted EBITDA (a)	\$230,063	\$344,730	\$300,184	\$288,148	\$272,249

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	Ferrellgas Partners, L.P. Year Ended July 31,				
	2017	2016	2015	2014	2013
Reconciliation of Net Earnings (Loss) to EBITDA and Adjusted EBITDA and Distributable cash flow attributable to common unit holders:					
Net earnings (loss) attributable to Ferrellgas Partners, L.P.	\$(54,207)	\$(665,415)	\$29,620	\$33,211	\$56,426
Income tax expense (benefit)	(1,143 )	(36 )	(315 )	2,516	1,855
Interest expense	152,485	137,937	100,396	86,502	89,145
Depreciation and amortization expense	103,351	150,513	98,579	84,202	83,344
EBITDA	200,486	(377,001 )	228,280	206,431	230,770
Asset impairments	—	658,118	—	—	—
Loss on extinguishment of debt	—	—	—	21,202	—
Non-cash employee stock ownership plan compensation charge	15,088	27,595	24,713	21,789	15,769
Non-cash stock and unit-based compensation charge	3,298	9,324	25,982	24,508	13,545
Loss on asset sales and disposals	14,457	30,835	7,099	6,486	10,421
Other (income) expense, net	(1,474 )	(110 )	350	479	(565 )
Severance charges	1,959	1,453	—	—	—
Change in fair value of contingent consideration	—	(100 )	(6,300 )	5,000	—
Litigation accrual and related legal fees associated with a class action lawsuit	—	—	806	1,749	1,568
Acquisitions and transition expenses	—	99	16,373	—	—
Unrealized (non-cash) loss (gain) on changes in fair value of derivatives	(3,457 )	1,137	2,412	—	—
Net earnings (loss) attributable to noncontrolling interest	(294 )	(6,620 )	469	504	741
Adjusted EBITDA (a)	230,063	344,730	300,184	288,148	272,249
Net cash interest (b)	(143,588)	(132,860 )	(96,150 )	(83,686 )	(83,495 )
Maintenance capital expenditures (c)	(16,935 )	(17,137 )	(19,612 )	(17,673 )	(15,070 )
Cash paid for taxes	(310 )	(777 )	(712 )	(816 )	(550 )
Proceeds from asset sales	7,952	6,023	5,905	4,524	9,980
Distributable cash flow attributable to equity investors (d)	77,182	199,979	189,615	190,497	183,114
Less: Distributable cash flow attributable to general partner and non-controlling interest	(1,544 )	(4,000 )	(3,792 )	(3,810 )	(3,663 )
Distributable cash flow attributable to common unitholders (e)	75,638	195,979	185,823	186,687	179,451
Less: Distributions paid to common unitholders	(78,936 )	(202,119 )	(165,433)	(159,316)	(158,087)
Distributable cash flow surplus/(shortage)	\$(3,298 )	\$(6,140 )	\$20,390	\$27,371	\$21,364

(a) Adjusted EBITDA is a non-GAAP measure. It is calculated as earnings before income tax expense (benefit), interest expense, depreciation and amortization expense, asset impairments, loss on extinguishment of debt, non-cash employee stock ownership plan compensation charge, non-cash stock and unit-based compensation charge, loss on asset sales and disposal, other (income) expense, net, severance charges, change in fair value of contingent consideration, litigation accrual and related legal fees associated with a class action lawsuit, acquisition and transition expenses, unrealized (non-cash) loss (gain) on changes in fair value of derivatives and net earnings (loss) attributable to non-controlling 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.



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(b) 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.

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

(d) Distributable cash flow attributable to equity investors is a non-GAAP measure. It is calculated as Adjusted EBITDA minus net cash interest, maintenance capital expenditures, cash paid for taxes, and proceeds from asset sales. Management considers distributable cash flow attributable to equity investors a meaningful 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.

(e) Distributable cash flow attributable to common unitholders is a non-GAAP measure. It is calculated as Distributable cash flow attributable to equity investors minus distributable cash flow attributable to general partner and minority interest. Management considers distributable cash flow attributable to common unitholders a meaningful 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.

(1) Working capital is the sum of current assets less current liabilities.

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	Ferrellgas, L.P.				
	Year Ended July 31,				
	2017	2016	2015	2014	2013
Income statement data:					
Total revenues	\$1,930,277	\$2,039,367	\$2,024,390	\$2,405,860	\$1,975,467
Interest expense	127,188	121,818	84,227	70,332	72,974
Asset impairments	—	658,118	—	—	—
Net earnings (loss)	(29,059 )	(655,391 )	46,427	49,907	73,375
Balance sheet data:					
Working capital (1)	\$(39,595 )	\$(75,149 )	\$(41,986 )	\$11,901	\$(19,289 )
Total assets	1,609,948	1,683,213	2,435,603	1,553,516	1,341,878
Long-term debt	1,649,270	1,760,881	1,598,033	1,093,897	913,886
Partners' capital (deficit)	(406,798 )	(469,413 )	390,126	69,925	94,476
Operating data (unaudited):					
Propane sales volumes (gallons)	791,123	778,892	878,846	946,570	901,370
Crude oil hauled (barrels)	49,249	79,411	10,447	—	—
Crude oil sold (barrels)	7,470	6,860	702	—	—
Capital expenditures:					
Maintenance	\$17,138	\$16,877	\$19,449	\$18,138	\$15,248
Growth	29,227	96,058	50,388	32,843	25,916
Acquisition	4,395	28,245	901,612	169,430	31,919
Total	\$50,760	\$141,180	\$971,449	\$220,411	\$73,083
Supplemental data (unaudited):					
Adjusted EBITDA (a)	\$230,202	\$345,250	\$300,288	\$288,125	\$272,269

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Reconciliation of Net Earnings (Loss) to EBITDA and Adjusted EBITDA :	Ferrellgas, L.P. Year Ended July 31,				
	2017	2016	2015	2014	2013
Net earnings (loss)	\$(29,059 )	\$(655,391 )	\$46,427	\$49,907	\$73,375
Income tax expense (benefit)	(1,149 )	(41 )	(384 )	2,471	1,838
Interest expense	127,188	121,818	84,227	70,332	72,974
Depreciation and amortization expense	103,351	150,513	98,579	84,202	83,344
EBITDA	200,331	(383,101 )	228,849	206,912	231,531
Asset impairments	—	658,118	—	—	—
Loss on extinguishment of debt	—	—	—	21,202	—
Non-cash employee stock ownership plan compensation charge	15,088	27,595	24,713	21,789	15,769
Non-cash stock and unit-based compensation charge	3,298	9,324	25,982	24,508	13,545
Loss on asset sales and disposals	14,457	30,835	7,099	6,486	10,421
Other (income) expense, net	(1,474 )	(110 )	354	479	(565 )
Severance charges	1,959	1,453	—	—	—
Change in fair value of contingent consideration	—	(100 )	(6,300 )	5,000	—
Litigation accrual and related legal fees associated with a class action lawsuit	—	—	806	1,749	1,568
Acquisition and transition expenses	—	99	16,373	—	—
Unrealized (non-cash) loss (gain) on changes in fair value of derivatives	(3,457 )	1,137	2,412	—	—
Adjusted EBITDA (a)	\$230,202	\$345,250	\$300,288	\$288,125	\$272,269

(a) Adjusted EBITDA is a non-GAAP measure. It is calculated as earnings before income tax expense (benefit), interest expense, depreciation and amortization expense, asset impairments, loss on extinguishment of debt, non-cash employee stock ownership plan compensation charge, non-cash stock and unit-based compensation charge, loss on asset sales and disposal, other (income) expense, net, severance charges, change in fair value of contingent consideration and litigation accrual and related legal fees associated with a class action lawsuit, acquisition and transition expenses and unrealized (non-cash) loss (gain) on changes in fair value of derivatives. 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.

(1) Working capital is the sum of current assets less current liabilities.

Our capital expenditures fall generally into three categories:

- maintenance capital expenditures, which include capitalized expenditures for betterment and replacement of property, plant and equipment;
- growth capital expenditures, which include expenditures for purchases of both bulk and portable propane tanks and other equipment to facilitate expansion of our customer base and operating capacity; and
- acquisition capital expenditures, which include expenditures related to the acquisition of propane operations and related equipment sales and midstream operations and represent the total cost of acquisitions less working capital

acquired.

Factors that materially affect the comparability of the information reflected in selected financial data

During fiscal 2014, the prepayment of outstanding principal amounts of fixed rate senior notes resulted in an amount recorded as "Loss on extinguishment of debt."

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During fiscal 2015, 2014, and 2013, a class action lawsuit resulted in a litigation accrual and related legal fees.

During fiscal 2014, we acquired Sable Environmental and Sable SWD 2, LLC, a fluid logistics provider in the Eagle Ford shale region of south Texas for consideration of \$126.1 million. See additional discussion about water solutions in Item 1 - Business. Midstream operations. Other midstream operations - Water solutions.

During fiscal 2015, we acquired C&E Production, LLC ("C&E"), a fluid logistics provider in the Eagle Ford shale region of south Texas for consideration of \$67.5 million. See additional discussion about water solutions in Item 1 - Business. Midstream operations. Other midstream operations - Water solutions.

During fiscal 2015, we acquired Bridger, a provider of integrated crude oil midstream services for combined consideration of cash and common units in the amount of \$822.5 million. See additional discussion about Bridger in Item 1 - Business. Midstream operations. Crude oil logistics.

During fiscal 2016, Ferrellgas committed to a plan to dispose of tractor trucks in its Midstream operations - crude oil logistics business. As a result of these activities, Ferrellgas recorded a loss of approximately \$13.8 million included in "Loss on asset sales and disposals."

During the first quarter of fiscal 2016, 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, and as a result we recorded an impairment charge of \$29.3 million, which represented the entire goodwill balance attributable to our Midstream operations - water solutions reporting unit.

During the fourth quarter of fiscal 2016, Ferrellgas determined that the expected significant decline in future cash flows constituted a triggering event for its Midstream operations - crude oil logistics business that required us to perform impairment testing for our indefinite-lived intangible assets, our long-lived assets and goodwill. As a result, we recorded \$628.8 million of asset impairment charges during the fourth quarter.

As a result of the Jamex Termination Agreement in the first quarter of fiscal 2017, which is described in detail in Item 1. Business under the subheading "Termination of Bridger agreement with Jamex Marketing, LLC", the results of operations in our Midstream operations segment decreased materially.

During fiscal 2017, quarterly distributions paid to common unitholders were reduced from \$0.5125 per quarter, an annual distribution rate of \$2.05, to \$0.10 per quarter, an annual distribution rate of \$0.40.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### Overview

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 and 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 section.

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

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:

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because Ferrellgas Partners has outstanding \$357.0 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 operations in their respective consolidated financial statements; and Ferrellgas Partners issued common units during fiscal 2016 and repurchased common units in fiscal 2016 and 2017.

### Recent developments

### Financial covenants

The indenture governing the outstanding notes of Ferrellgas Partners and the agreements governing the operating partnership's indebtedness contain various covenants that limit our ability and the ability of specified subsidiaries to, among other things, incur additional indebtedness and make distribution payments to our common unitholders. Our general partner believes that the most restrictive of these covenants are the consolidated fixed charge coverage ratio, as defined in the indenture governing the outstanding notes of Ferrellgas Partners, and the consolidated leverage ratio and the consolidated interest coverage ratio, as defined in our secured credit facility and our accounts receivable securitization facility.

Before a restricted payment (as defined in the secured credit facility and the operating partnership indentures) can be made by the operating partnership, the operating partnership must be in compliance with the consolidated leverage ratio and the consolidated interest coverage ratio covenants under the secured credit facility and accounts receivable securitization facility and in compliance with the covenants under the operating partnership's indentures. If the operating partnership is unable to make restricted payments, Ferrellgas Partners will not have the ability to make semi-annual interest payments on its \$357.0 million 8.625% unsecured senior notes due 2020 or distributions to Ferrellgas Partners common unitholders. If Ferrellgas Partners does not make interest payments on its unsecured notes, that would constitute an event of default, which would permit the acceleration of the obligations underlying the indenture, including all outstanding principal owed. The accelerated obligations would become immediately due and payable, which would in turn trigger cross acceleration of other debt. If Ferrellgas' debt obligations are accelerated, Ferrellgas may be unable to borrow sufficient funds to refinance debt in which case unitholders could experience a partial or total loss of their investment.

Before a restricted payment (as defined in the Ferrellgas Partners indenture) can be made by Ferrellgas Partners, Ferrellgas Partners must be in compliance with the consolidated fixed charge coverage ratio covenant under the Ferrellgas Partners indenture. If Ferrellgas Partners is unable to make restricted payments, Ferrellgas Partners will not have the ability to make distributions to Ferrellgas Partners common unitholders.

A breach of the consolidated leverage ratio covenant or the consolidated interest coverage ratio covenant under the secured credit facility and the accounts receivable securitization facility would also result in an event of default under those facilities resulting in the operating partnership's inability to obtain funds under those facilities and would give the lenders and receivables purchasers the right to accelerate the operating partnership's obligations under those facilities and to exercise remedies to collect the outstanding amounts under those facilities.

### Consolidated leverage ratio

Our consolidated leverage ratio is defined as the ratio of total debt of the operating partnership to trailing four quarters EBITDA (both as adjusted for certain, specified items) of the operating partnership, as detailed in our secured credit facility and our accounts receivable securitization facility. During fiscal 2016, our secured credit facility and our accounts receivable securitization facility required the operating partnership to maintain a consolidated leverage ratio of no more than 5.5x as of each fiscal quarter end. Our consolidated leverage ratio was 5.48x as of July 31, 2016, which would have permitted approximately \$8.1 million of additional borrowing capacity or approximately \$1.5

million less EBITDA as of July 31, 2016. The narrow margin in this covenant was due primarily to several factors including higher debt caused by: (1) a \$44.8 million unpaid accounts receivable balance due from Jamex at July 31, 2016; (2) the \$45.9 million purchase of 2.4 million common units from Jamex in November 2015; (3) a \$16.9 million purchase of 0.9 million of Ferrellgas Partners' common units from Jamex on September 1, 2016; (4) Bridger's growth capital expenditures of approximately \$52.4 million; and lower EBITDA caused by: (1) the warm weather in fiscal 2016 which was 19% warmer than normal and 16% warmer than fiscal 2015, which led to reduced demand for propane; and (2) the decline in our water solutions business. As a result of these factors, and the Jamex Termination Agreement discussed above, on September 27, 2016, we entered into a fifth amendment to our secured credit facility and a fourth amendment to our accounts receivable securitization facility to modify our maximum consolidated leverage ratio covenant.

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During the quarter ended January 31, 2017, our results of operations were negatively impacted by sustained temperatures that were 14% warmer than normal throughout our operating areas. In order to avoid a violation of both the fifth amendment to our secured credit facility and the fourth amendment to our accounts receivable credit facility, Ferrellgas Partners sold in a private placement offering \$175.0 million in aggregate principal amount of additional 8.625% unsecured senior notes due 2020, at 96% of par. Net proceeds from the offering of approximately \$166.1 million were contributed to the operating partnership, which used the net proceeds to repay borrowings under our secured credit facility.

As a result of the factors discussed above and the continued significantly warmer than normal temperatures during the quarter ended April 30, 2017, which were 19.5% warmer than normal throughout our operating areas, on April 28, 2017, we entered into a sixth amendment to our secured credit facility and a fifth amendment to our accounts receivable facility to modify our maximum consolidated leverage ratio covenant and our consolidated interest ratio covenant. The amendment to our secured credit facility also (1) reduces the maximum amount available to be borrowed from \$700 million to \$575 million, (2) increases the pricing of loans when our leverage ratio is greater than or equal to 6.00x from LIBOR plus 3.50% to LIBOR plus 3.75% and when our leverage ratio is greater than or equal to 7.00x from LIBOR plus 3.50% to LIBOR plus 4.00%, (3) limits the amount of distributions (other than distributions to Ferrellgas Partners for payments of interest payable on its unsecured notes) that the operating partnership may make to Ferrellgas Partners to \$10 million per quarter (Ferrellgas Partners' current distribution rate is \$9.8 million per quarter) until the leverage ratio is less than 5.50x, (4) reduces the amount of investments we can make when our leverage ratio is greater than 5.50x from \$200 million to \$50 million, and (5) requires us to reduce our secured credit facility with 50% of the net cash proceeds received from any equity sale.

On April 28, 2017, the maximum consolidated leverage covenant was modified as follows:

Date	Maximum leverage ratio (prior to amendments)	Maximum leverage ratio (after amendments)
July 31, 2017	6.05	7.75
October 31, 2017	5.95	7.75
January 31, 2018	5.95	7.75
April 30, 2018	5.50	7.75
July 31, 2018 & thereafter	5.50	5.50

Our consolidated leverage ratio was 7.46x as of July 31, 2017, which permits approximately \$67.5 million of additional borrowing capacity or approximately \$8.7 million less EBITDA. This covenant also restricts the operating partnership's ability to make payments to Ferrellgas Partners for purposes of funding quarterly common unit distributions as discussed above.

#### Consolidated interest coverage ratio

The consolidated interest coverage ratio is defined as the ratio of trailing four quarters EBITDA to interest expense (both as adjusted for certain, specified items) of the operating partnership, as detailed in our secured credit facility and accounts receivable securitization facility.

On April 28, 2017, the minimum consolidated interest coverage ratio was modified as follows:

Minimum consolidated	Minimum consolidated
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Date	interest coverage ratio (prior to amendments)	interest coverage ratio (after amendments)
July 31, 2017	2.50	1.75
October 31, 2017	2.50	1.75
January 31, 2018	2.50	1.75
April 30, 2018	2.50	1.75
July 31, 2018 & thereafter	2.50	2.50

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Our consolidated interest ratio was 1.99x as of July 31, 2017, which permits approximately \$15.9 million of additional interest expense or approximately \$27.8 million less EBITDA.

### Consolidated fixed charge coverage ratio

The indenture governing the outstanding notes of Ferrellgas Partners includes a consolidated fixed charge coverage ratio test for the incurrence of debt and the making of restricted payments. This covenant requires that the ratio of trailing four quarters EBITDA to interest expense (both as adjusted for certain, specified items) of Ferrellgas Partners be at least 1.75x before a restricted payment (as defined in the indenture) can be made by Ferrellgas Partners. If this ratio were to drop below 1.75x, these indentures allow us to make restricted payments of up to \$50.0 million in total over a 16 quarter period while below this ratio. As of July 31, 2017, the ratio was 1.50x. As a result, the \$9.8 million distribution paid to common unitholders on September 14, 2017 was taken from the \$50.0 million restricted payment limitation, leaving \$40.2 million for future restricted payments. If our consolidated fixed charge coverage ratio does not improve to at least 1.75x and we continue our current quarterly distribution rate of \$0.10 per common unit, this covenant will not allow us to make common unit distributions for our quarter ending October 31, 2018 and beyond.

### Debt and interest expense reduction strategy

Given the lack of headroom on these covenants, we continue to execute on a strategy to reduce our debt and interest expense. This strategy may include issuance of equity, amending existing debt agreements, asset sales or a further reduction in our annual distribution, which was reduced during the quarter ended October 31, 2016 from an annualized rate of \$2.05 to \$0.40 per common unit. We believe any debt and interest expense reduction strategies would remain in effect until our consolidated leverage ratio reaches 4.5x or a level that we deem appropriate for our business.

If we are unsuccessful with our strategy to reduce debt and interest expense, or are unsuccessful in renegotiating our secured credit facility, which matures in October 2018, or are unable to secure alternative liquidity sources, we may not have the liquidity to fund our operations after that maturity date.

Failure to maintain compliance with these and other covenants in our agreements or failure to renew or replace liquidity available under the secured credit facility could have a material effect on our liquidity and cash flows and could further restrict our ability to incur debt, pay interest on the notes or to make cash distributions to unitholders. An inability to pay interest on the notes could result in an event of default that would permit the acceleration of all of our indebtedness. The accelerated debt would become immediately due and payable, which would in turn trigger cross-acceleration under other debt. If the payment of our debt is accelerated, our assets may be insufficient to repay such debt in full and we may be unable to borrow sufficient funds to refinance debt, in which case the unitholders could experience a partial or total loss of their investment.

Further, if we are unsuccessful in renegotiating our secured credit facility prior to the issuance of our first quarter Form 10-Q for the three month period ending October 31, 2017, the entire balance outstanding under the secured credit facility will be considered a current liability and, in the absence of a plan to renew or refinance this debt, that condition may raise substantial doubt about our ability to continue as a going concern. Either of these events could lead to rating agency downgrades, decreases in trade credit and increased collateral requirements from our counterparties.

### Termination of Bridger agreement with Jamex Marketing, LLC

In connection with the closing of our acquisition of Bridger in June 2015, Bridger entered into a ten-year transportation and logistics agreement (the "Jamex TLA") with Jamex Marketing, LLC ("Jamex") pursuant to which

Jamex would be responsible for certain payments to Bridger and also for sourcing crude oil volumes for Bridger's largest customer at that time.

As a result of concerns regarding the collectability of amounts owed to Bridger from Jamex under the Jamex TLA and certain other matters between Bridger and Jamex, on September 1, 2016, Bridger, Jamex, Ferrellgas Partners, L.P. and certain other affiliated parties entered into a group of agreements that terminated the Jamex TLA, facilitated Ferrellgas purchasing certain Ferrellgas common units from Jamex, and established payment terms for certain amounts owed by Jamex to Bridger under the Jamex TLA. Consequently, Ferrellgas does not anticipate any material contribution to revenue or EBITDA from Jamex or Bridger's former largest customer in the future.

On September 1, 2016, Bridger and Ferrellgas entered into a Termination, Settlement and Release Agreement (the "Jamex Termination Agreement") with Jamex, certain of Jamex's affiliates, and James Ballengee (the owner of Jamex) pursuant to which:

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Jamex agreed to execute and deliver a secured promissory note in favor of Bridger in original principal amount of (1) \$49.5 million (the "Jamex Secured Promissory Note") in satisfaction of all obligations owed to Bridger under the Jamex TLA;

Mr. Ballengee and Bacchus Capital Trading, LLC, an entity controlled by Mr. Ballengee, executed and delivered a (2) joint guarantee of the Jamex Secured Promissory Note obligations up to a maximum aggregate amount of \$20.0 million;

The operating partnership agreed to provide Jamex with a \$5.0 million revolving secured working capital facility (3) evidenced by a revolving promissory note (the "Jamex Revolving Promissory Note" and, together with the Jamex Secured Promissory Note, the "Jamex Notes");

The other Jamex entities agreed to execute and deliver a security agreement and a full guarantee of the obligations (4) under the Jamex Notes;

Ferrellgas paid approximately \$16.9 million to Jamex and in return received 0.9 million of Ferrellgas Partners' (5) common units, which were cancelled upon receipt, and approximately 23 thousand barrels of crude oil;

The parties agreed to terminate the Jamex TLA and certain other commercial agreements and arrangements (6) between them, and release any claims between or among them that may exist (other than those arising under the Jamex Termination Agreement or the other agreements entered into in connection with the Jamex Termination Agreement); and

Ferrellgas waived the remaining lockup provision applicable to Jamex under the Registration Rights Agreement (7) dated June 24, 2015 to which Jamex is party.

The Jamex Secured Promissory Note originally had an annual interest rate of 7%, which decreased to 2.8% as a result of Ferrellgas reducing its quarterly distribution rate to \$0.10, and contemplates quarterly amortizing principal payments, together with payments of accrued interest. The first quarterly interest payment of approximately \$0.9 million was received in December 2016 and the first and second quarterly principal and interest payments of approximately \$2.8 million each were received in March and June 2017. The maturity date of the Jamex Secured Promissory Note is December 17, 2021, and Jamex may prepay the Secured Promissory Note in whole or in part at any time.

The Jamex Revolving Promissory Note, which provides Jamex with access to working capital liquidity to meet their unrelated and ongoing crude oil marketing and other business needs, has an annual interest rate of 0% (which rate would be increased in case of a default), and contains certain conditions precedent to the operating partnership's obligation to make any advances thereunder. Each borrowing under the Jamex Revolving Promissory Note must be repaid within 10 days, and the ultimate maturity date of the Jamex Revolving Promissory Note is the earlier of September 1, 2021 and the date on which all obligations under the Jamex Secured Promissory Note are repaid. As of July 31, 2017, there were no outstanding borrowings under the Jamex Revolving Promissory Note

The Jamex Secured Promissory Note is guaranteed, pursuant to a Guaranty Agreement, jointly by James Ballengee and Bacchus Capital Trading, LLC, an entity controlled by Mr. Ballengee (up to a maximum aggregate amount of \$20.0 million), and each Note is fully guaranteed, pursuant to respective Guaranty Agreements, by the other Jamex entities. The obligations of Jamex and the other Jamex entities under the Notes are secured, pursuant to a Security Agreement, by a lien on certain of those entities' assets, including actively traded marketable securities and cash, which are held in a controlled account that can be seized by Ferrellgas in the event of default. The sum of the amounts available under the controlled account and the \$20.0 million guarantee approximate the \$42.5 million note receivable as of July 31, 2017.

During the year ended July 31, 2016, approximately 60% and 80% of Bridger's gross margin and EBITDA, respectively, was generated from its largest customer and Jamex, that customer's supplier, under take-or-pay arrangements. Bridger's largest customer during the fiscal year ended July 31, 2016 owned a refinery in Trainer,

Pennsylvania. Bridger was party to an agreement with this customer under which Bridger provided logistics services to transport crude oil from the Bakken region in North Dakota to the Trainer refinery. That agreement had a minimum volume commitment and payment obligation from the refinery for logistics services associated with the delivery of 65 MBbls/d. However, if the quantity of crude oil delivered to the refinery dropped below 35 MBbls/d, the minimum volume commitment and payment obligation from the refinery would be suspended and Jamex would become responsible for payments to Bridger under the pay provisions of the Jamex TLA. During February 2016, Jamex ceased sourcing barrels for delivery to the refinery and Bridger had been billing Jamex directly in accordance with the pay provisions of the Jamex TLA. During July 2016, we determined Jamex would not resume sourcing barrels for delivery to the refinery or be likely to continue to make payments under the pay provisions of the Jamex TLA. As a result, we began negotiating a settlement with Jamex, and the Jamex TLA was terminated on September 1, 2016. While the agreement with the refinery owner was not terminated as a result of the execution and delivery of the Jamex Termination Agreement, Bridger was unable to negotiate a revised transportation and

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logistics agreement with that customer; accordingly it was unlikely that Bridger would continue to make any deliveries under the existing agreement. As of the date of this assessment, we did not anticipate any material contribution to revenue or EBITDA from Jamex or Bridger's largest customer in the future. Additionally, the continued, sustained decline in crude oil prices and resulting decrease in crude oil production in the regions in which we operate significantly impacted our trucking operations during the three months ended July 31, 2016, a trend we anticipated would continue into fiscal 2017 and beyond.

As a result of the expected decline in our future cash flows from Bridger's operations, as well as individual asset groups, which resulted from the termination of the Jamex TLA and the decline in our trucking operations as a result of continued, sustained decline in crude oil prices and resulting decrease in crude oil production in the regions in which we operate, we performed impairment testing during the fourth quarter of fiscal 2016 for this reporting unit's indefinite-lived intangible assets, definite-lived intangible assets, property, plant and equipment and goodwill. As a result of the impairment testing performed, we recorded asset impairment charges of \$628.8 million related to the impairment of indefinite-lived intangible assets, definite-lived intangible assets, property, plant and equipment, and goodwill during the year ended July 31, 2016.

## Distributions

On August 22, 2017 the board of directors of our general partner announced a quarterly distribution of \$0.10, payable on September 14, 2017, to all unitholders of record as of September 7, 2017, which equates to an annual distribution rate of \$0.40. On June 14, 2017, March 10, 2017, and on December 15, 2016, we also paid a quarterly distributions of \$0.10.

## How We Evaluate Our Operations

We evaluate our overall business performance based primarily on Adjusted EBITDA. We do not utilize depreciation, depletion and amortization expense in our key measures, because we focus our performance management on cash flow generation and our assets have long useful lives.

## Segment Disclosure

### Propane operations and related equipment sales

Based on our propane sales volumes in fiscal 2017, we believe that we are the second largest retail marketer of propane in the United States 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 continued warming trend, we could expect nationwide demand for propane for heating purposes to decrease which could lead to a reduction in our sales, income and liquidity availability as well as impact our ability to maintain compliance with our debt covenants.

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

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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 purchase commitments are designated as hedges primarily for fiscal 2018 and 2019 sales commitments and, as of July 31, 2017, have experienced net mark-to-market gains of approximately \$15.0 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 consolidated balance sheets as "Prepaid expenses and other current assets," "Other assets, net," "Other current liabilities," "Other liabilities" and "Accumulated other comprehensive income (loss)," respectively, until settled. Upon settlement, realized gains or losses on these contracts will be reclassified to "Cost of product sold-propane and other gas liquid sales" in the consolidated statements of operations as the underlying inventory is sold. These financial derivative purchase commitment net gains are expected to be offset by decreased margins on propane sales commitments that qualify for the normal purchase normal sale exception. At July 31, 2017, we estimate 57% of currently open financial derivative purchase commitments, the related propane sales commitments and the resulting gross margin will be realized into earnings during the next twelve months.

### Midstream operations

Our midstream operations primarily include crude oil logistics ("Bridger Logistics"). Bridger Logistics primarily generates income by providing crude oil transportation and logistics services on behalf of producers and end-users of crude oil. Bridger Logistics services include transportation through its operation of a fleet of trucks, tank trailers, railcars and pipeline injection terminals. We primarily operate in major oil and gas basins across the continental United States. Our crude oil logistics operations also enters into crude oil purchase and sales arrangements. We manage our exposure to price fluctuations by using back-to-back contracts and financial hedging positions.

### Summary Discussion of Results of Operations:

For the years ended July 31, 2017 and 2016

During fiscal 2017, we generated a net loss attributable to Ferrellgas Partners L.P. of \$54.2 million, compared to a net loss of \$665.4 million during fiscal 2016.

Our propane operations and related equipment sales segment generated operating income of \$187.9 million during fiscal 2017, compared to \$204.9 million during fiscal 2016. The primary reason for the decrease in operating income was due to decreased gross margin on propane and other gas liquid sales due to a change in customer mix, an overall increase in the wholesale cost of propane and a decrease in the sales of certain lower margin equipment, partially offset by a decrease in operating expenses related to general liability and workers compensation costs and vehicle fuel costs.

Our midstream operations segment generated operating losses of \$26.3 million during fiscal 2017 compared to \$648.3 million of operating loss during fiscal 2016. Prior year results from our midstream operations include impairment charges of \$658.1 million related to the impairment of indefinite-lived intangible assets, definite-lived intangible assets, property, plant and equipment, and goodwill, and there was no such impairment in fiscal 2017. This decrease in operating losses was offset by the impact of the termination of the Jamex TLA, as discussed above, and the decline in trucking and rail operations.

Corporate operations recognized an operating loss of \$66.2 million during fiscal 2017, compared to an operating loss of \$90.8 million recognized during fiscal 2016, primarily due to \$12.5 million of decreased non-cash employee stock ownership plan compensation charges and a \$6.0 million decrease in non-cash stock based compensation charges.

“Interest expense” for Ferrellgas increased \$14.5 million primarily due to a higher interest rate on the new senior notes issued in January 2017 by Ferrellgas to refinance a portion of the operating partnership's credit facility and due to increased interest rates on credit facility borrowings.

Distributable cash flow attributable to equity investors decreased to \$77.2 million in fiscal 2017 from \$200.0 million in fiscal 2016 primarily due to a \$95.9 million decrease in Adjusted EBITDA from our midstream operations segment resulting from the termination of the Jamex TLA and decline in trucking operations, as discussed above. A decrease in Adjusted EBITDA of \$21.3 million in our propane operations and related equipment sales segment also contributed to this decrease in distributable cash flow attributable to equity investors.

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Distributable cash flow shortage decreased to \$3.3 million in fiscal 2017 from \$6.1 million in fiscal 2016, primarily due to a \$123.2 million decrease in distributions paid to common unitholders, substantially offset by a \$95.9 million decrease in Adjusted EBITDA from our midstream operations segment, as discussed above, and a \$21.3 million decrease in Adjusted EBITDA from our propane operations and related equipment sales segment, as discussed above.

For the years ended July 31, 2016 and 2015

During fiscal 2016, we generated a net loss attributable to Ferrellgas Partners L.P. of \$665.4 million, compared to net earnings attributable to Ferrellgas Partners L.P. of \$29.6 million during fiscal 2015.

Our propane operations and related products segment generated operating income of \$204.9 million during fiscal 2016, compared to \$239.3 million during fiscal 2015. The primary reason for the decrease in the operating income during fiscal 2016 compared to fiscal 2015 was decreased gross margin related to decreased propane sales volumes. Propane volumes decreased primarily due to winter degree day temperatures that were 16% warmer than those in the prior year.

Our midstream operations segment expanded with the Bridger acquisition in June 2015. We generated an operating loss of \$648.3 million during fiscal 2016 as compared to operating income of \$1.3 million during fiscal 2015. As a result of the expected decline in our future cash flows from operations for this segment in total, as well as individual asset groups in this segment, which resulted from the termination of the Jamex TLA and the decline in our trucking operations as a result of continued, sustained decline in crude oil prices and resulting decrease in crude oil production in the regions in which we operate, fiscal 2016 results include asset impairment charges of \$658.1 million related to the impairment of indefinite-lived intangible assets, definite-lived intangible assets, property, plant and equipment, and goodwill. Excluding the effect of asset impairment charges, this segment generated \$154.0 million of gross margin and operating income of \$9.8 million during fiscal 2016.

Corporate operations recognized an operating loss of \$90.8 million during fiscal 2016 compared to an operating loss of \$110.0 million recognized during fiscal 2015. Corporate operations incurred \$16.4 million in expenses in fiscal 2015 related to the acquisition and integration of Bridger that was not repeated in fiscal 2016, \$16.7 million of decreased non-cash stock based compensation charges, partially offset by a \$6.0 million increase in general and administrative expense primarily related to the Bridger acquisition.

In fiscal 2016, interest expense for Ferrellgas and the operating partnership increased \$37.5 million primarily due to the issuance in June 2015 of \$500.0 million of new debt incurred to fund the Bridger acquisition and growth capital expenditures.

Distributable cash flow to equity investors increased from \$189.6 million in the prior period to \$200.0 million in the current period primarily due to a \$89.6 million increase in Adjusted EBITDA from our midstream operations segment substantially offset by a \$39.1 million decrease in Adjusted EBITDA from our propane operations and related equipment sales segment, a \$36.7 million increase in net cash interest expense paid and a \$6.0 million decrease in Adjusted EBITDA from our corporate operations.

Distributable cash flow decreased from \$20.4 million excess in the prior period to a \$6.1 million shortage in the current period. Although our distributable cash flow attributable to equity investors increased as discussed above, the distributable cash flow excess (shortage) was significantly impacted by the effect of an increase in common units issued in June 2015 in connection with the Bridger acquisition in fiscal 2015.

Consolidated Results of Operations





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(amounts in thousands)	Year ended July 31,		
	2017	2016	2015
Total revenues	\$1,930,277	\$2,039,367	\$2,024,390
Total cost of sales	1,190,861	1,161,904	1,224,511
Operating expense	432,412	459,178	437,457
Depreciation and amortization expense	103,351	150,513	98,579
General and administrative expense	49,617	56,635	77,238
Equipment lease expense	29,124	28,833	24,273
Non-cash employment stock ownership plan compensation charge	15,088	27,595	24,713
Asset impairments	—	658,118	—
Loss on asset sales and disposal	14,457	30,835	7,099
Operating income (loss)	95,367	(534,244)	)130,520
Interest expense	(152,485)	)(137,937)	)(100,396)
Other income (expense), net	1,474	110	(350)
Earnings (loss) before income taxes	(55,644)	)(672,071)	)29,774
Income tax benefit	(1,143)	)(36)	)(315)
Net earnings (loss)	(54,501)	)(672,035)	)30,089
Net earnings (loss) attributable to noncontrolling interest	(294)	)(6,620)	)469
Net earnings (loss) attributable to Ferrellgas Partners, L.P.	(54,207)	)(665,415)	)29,620
Less: General partner's interest in net earnings (loss)	(542)	)(6,654)	)296
Common unitholders' interest in net earnings (loss)	\$(53,665)	)\$ (658,761)	)\$29,324

## Non-GAAP Financial Measures

In this Annual Report we present three primary non-GAAP financial measures: Adjusted EBITDA, Distributable cash flow attributable to equity investors, and Distributable cash flow attributable to common unitholders.

**Adjusted EBITDA.** Adjusted EBITDA is calculated as net earnings (loss) attributable to Ferrellgas Partners, L.P., less the sum of the following: income tax benefit, interest expense, depreciation and amortization expense, non-cash employee stock ownership plan compensation charge, non-cash stock-based compensation charge, asset impairments, loss on asset sales and disposal, other income (expense), net, change in fair value of contingent consideration (included in operating expense), severance costs, litigation accrual and related legal fees associated with a class action lawsuit, unrealized (non-cash) losses (gains) on changes in fair value of derivatives, acquisition and transition expenses and net earnings (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.

**Distributable Cash Flow Attributable to Equity Investors.** Distributable cash flow attributable to equity investors is calculated as Adjusted EBITDA minus net cash interest expense, maintenance capital expenditures, cash paid for taxes, and proceeds from asset sales. Management considers distributable cash flow attributable to equity investors a meaningful 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.

Distributable Cash Flow Attributable to Common Unitholders. Distributable cash flow attributable to common unitholders is calculated as Distributable cash flow attributable to equity investors minus distributable cash flow attributable to general partner and noncontrolling interest. Management considers distributable cash flow attributable to

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common unitholders a meaningful 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.

The following table summarizes EBITDA, Adjusted EBITDA and distributable cash flow for the periods indicated:

(amounts in thousands)

Fiscal year ended July 31	2017	2016	2015
Net earnings (loss) attributable to Ferrellgas Partners, L.P.	\$(54,207)	\$(665,415)	\$29,620
Income tax benefit	(1,143 )	(36 )	(315 )
Interest expense	152,485	137,937	100,396
Depreciation and amortization expense	103,351	150,513	98,579
EBITDA	200,486	(377,001 )	228,280
Non-cash employee stock ownership plan compensation charge	15,088	27,595	24,713
Non-cash stock based compensation charge	3,298	9,324	25,982
Asset impairments	—	658,118	—
Loss on asset sales and disposal	14,457	30,835	7,099
Other income (expense), net	(1,474 )	(110 )	350
Change in fair value of contingent consideration (included in operating expense)	—	(100 )	(6,300 )
Severance costs	1,959	1,453	—
Litigation accrual and related legal fees associated with a class action lawsuit	—	—	806
Unrealized (non-cash) losses (gains) on changes in fair value of derivatives	(3,457 )	1,137	2,412
Acquisition and transition expenses	—	99	16,373
Net earnings (loss) attributable to noncontrolling interest	(294 )	(6,620 )	469
Adjusted EBITDA	230,063	344,730	300,184
Net cash interest expense (a)	(143,588 )	(132,860 )	(96,150 )
Maintenance capital expenditures (b)	(16,935 )	(17,137 )	(19,612 )
Cash paid for taxes	(310 )	(777 )	(712 )
Proceeds from asset sales	7,952	6,023	5,905
Distributable cash flow to equity investors	77,182	199,979	189,615
Distributable cash flow attributable to general partner and non-controlling interest	(1,544 )	(4,000 )	(3,792 )
Distributable cash flow attributable to common unitholders	75,638	195,979	185,823
Distributions paid to common unitholders	(78,936 )	(202,119 )	(165,433)
Distributable cash flow excess/(shortage) (c)	\$(3,298 )	\$(6,140 )	\$20,390

(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.

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

(c) Distributable cash flow excess is retained to establish reserves for future distributions, reduce debt, fund capital expenditures and for other partnership purposes. Distributable cash flow shortages are funded from previously established reserves, cash on hand or borrowings under our secured credit facility or accounts receivable securitization facility.

Segment Operating Results for the years ended July 31, 2017 and 2016

Items Impacting the Comparability of Our Financial Results

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Our current and future results of operations may not be comparable to our historical results of operations for the periods presented due to acquisitions. We acquired Bridger in June 2015; accordingly, fiscal 2016 is the first full year that Bridger's results were included in our operations. Results for fiscal 2017 as well as future results for our Midstream operations segment have been materially, negatively impacted by the termination of the Jamex TLA, as discussed above, and the decline in our trucking operations as a result of continued, sustained decline in crude oil prices and resulting decrease in crude oil production in the regions in which we operate, as more fully described elsewhere herein.

## Propane operations and related equipment sales

The following table summarizes propane sales volumes and financial results of our propane operations and related equipment sales segment for the periods indicated:  
(amounts in thousands)

Fiscal year ended July 31,	2017	2016	Increase (Decrease)		
Propane sales volumes (gallons):					
Retail - Sales to End Users	564,872	552,771	12,101	2	%
Wholesale - Sales to Resellers	226,251	226,121	130	—	%
	791,123	778,892	12,231	2	%
Revenues -					
Propane and other gas liquids sales:					
Retail - Sales to End Users	\$852,130	\$777,830	\$74,300	10	%
Wholesale - Sales to Resellers	396,100	375,845	20,255	5	%
Other Gas Sales (a)	70,182	48,693	21,489	44	%
Other (b)	145,162	211,761	(66,599)	(31)	%
Propane operations and related equipment revenues	1,463,574	1,414,129	49,445	3	%
Gross Margin -					
Propane and other gas liquids sales: (c)					
Retail - Sales to End Users (a)	434,047	448,255	(14,208)	(3)	%
Wholesale - Sales to Resellers (a)	190,210	189,680	530	—	%
Other (b)	77,895	85,524	(7,629)	(9)	%
Propane operations and related equipment gross margin	702,152	723,459	(21,307)	(3)	%
Operating, general and administrative expense (d)	406,764	414,103	(7,339)	(2)	%
Equipment lease expense	26,220	25,481	739	3	%
Operating income	187,875	204,910	(17,035)	(8)	%
Depreciation and amortization expense	72,095	69,785	2,310	3	%
Loss on asset sales and disposals	9,198	9,180	18	—	%
Severance costs	253	1,287	(1,034)	NM	
Unrealized (non-cash) losses (gains) on changes in fair value of derivatives	(3,997)	1,585	(5,582)	NM	
Adjusted EBITDA	\$265,424	\$286,747	\$(21,323)	(7)	%

NM - Not meaningful

(a) Gross margin for 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) Other primarily includes appliance and material sales, and to a lesser extent various customer fee income.



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(c) 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.

(d) Operating, general, and administrative expenses are included in the calculation of Adjusted EBITDA. General and administrative expenses include only certain items that were directly attributable to the propane operations and related equipment sales segment.

Propane sales volumes during fiscal 2017 increased 2% or 12.2 million gallons, from that of the prior fiscal year period due to increased gallon sales to retail customers.

Weather in the more highly concentrated geographic areas we serve for fiscal 2017 was approximately 18% warmer than normal and 1% cooler than that of the prior fiscal year period. We believe retail customer sales volumes increased due to the relatively cooler weather compared to the prior year, and our strategy to increase market share with competitive pricing arrangements for new customers.

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 fiscal 2017 averaged 42% and 43% more than the prior fiscal year period, respectively. The wholesale market price at Mt. Belvieu, Texas averaged \$0.61 and \$0.43 per gallon during fiscal 2017 and 2016, respectively, while the wholesale market price at Conway, Kansas averaged \$0.57 and \$0.40 per gallon during fiscal 2017 and 2016, respectively. We believe this increase in the wholesale cost of propane contributed to our decline in gross margin.

### Revenues

Retail sales increased \$74.3 million compared to the prior period. This increase resulted primarily from a \$57.3 million increase in sales price per gallon and \$17.0 million from increased sales volumes, as discussed above.

Wholesale sales increased \$20.3 million compared to the prior period. This increase resulted primarily from a \$22.7 million increase in sales price per gallon, as discussed above.

Other gas sales increased \$21.5 million compared to the prior year period primarily due to an increase in sales price per gallon.

Other revenues decreased \$66.6 million compared to the prior year period, primarily due to decrease in the sales of certain lower margin equipment.

### Gross margin - Propane and other gas liquids sales

Gross margin decreased \$13.7 million compared to the prior year period. This resulted primarily from a \$13.9 million decrease in gross margin per gallon. Gross margin declines were primarily the result of a change in customer mix and an overall increase in the wholesale cost of propane, as discussed above.

### Gross margin - Other

Gross margin decreased \$7.6 million primarily due to a decrease in the sale of certain lower margin equipment.

### Operating income

Operating income decreased \$17.0 million primarily due to a \$13.7 million decrease in "Gross margin - Propane and other gas liquids sales", a \$7.6 million decrease in "Gross margin - Other", both as discussed above, partially offset by

a \$7.3 million decrease in "Operating, general and administrative expense." "Operating, general and administrative expense" decreased primarily due to a \$4.1 million decrease in general liability and workers compensation costs and \$3.9 million decrease in vehicle fuel costs, which includes a \$5.6 million unrealized favorable change in fair value of derivatives.

#### Adjusted EBITDA

Adjusted EBITDA decreased \$21.3 million primarily due to a \$13.7 million decrease in "Gross margin - Propane and other gas liquids sales", a \$7.6 million decrease in "Gross margin - Other", both as discussed above, partially offset by a \$0.7 million decrease in operating, general and administrative expense. Operating, general and administrative expense



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decreased primarily due to a \$4.1 million decrease in general liability and workers compensation costs, partially offset by a \$4.8 million increase in vehicle fuel and other vehicle costs.

## Midstream operations

The following table summarizes the volume of product sold and hauled, and the financial results of our midstream operations segment for the periods indicated:

(amounts in thousands)

Fiscal year ended July 31,	2017	2016	Increase (Decrease)	
Volumes (barrels):				
Crude oil hauled	49,249	79,411	(30,162 )	(38 )%
Crude oil sold	7,470	6,860	610	9 %
Revenues -				
Crude oil logistics	\$84,465	\$332,332	\$(247,867)	(75 )%
Crude oil sales	370,728	281,267	89,461	32 %
Other	11,510	11,639	(129 )	(1 )%
	466,703	625,238	(158,535 )	(25 )%
Gross margin (a) -				
Crude oil logistics	14,942	136,305	(121,363 )	(89 )%
Crude oil sales	17,688	13,100	4,588	35 %
Other	4,634	4,599	35	1 %
	37,264	154,004	(116,740 )	(76 )%
Operating, general and administrative expense (b)	29,650	49,323	(19,673 )	(40 )%
Equipment lease expense	529	475	54	11 %
Operating loss	(26,292 )	(648,347 )	622,055	NM
Depreciation and amortization expense	28,118	72,780	(44,662 )	(61 )%
Asset impairments	—	658,118	(658,118 )	NM
Loss on asset sales and disposals	5,259	21,655	(16,396 )	(76 )%
Change in fair value of contingent consideration	—	(100 )	(100 )	NM
Severance costs	227	93	134	144 %
Unrealized (non-cash) losses (gains) on changes in fair value of derivatives	540	(448 )	988	NM
Adjusted EBITDA	\$7,852	\$103,751	\$(95,899 )	(92 )%

NM - Not meaningful

(a) Gross margin represents "Revenues - Midstream operations" less "Cost of sales - Midstream operations" and does not include depreciation and amortization.

(b) General and administrative expenses include only certain items that were directly attributable to the midstream operations segment.

Crude oil hauled during fiscal 2017 decreased 38% or 30.2 million barrels, compared to the prior period primarily due to the termination of the Jamex TLA, as discussed above.

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Revenues

Crude oil logistics revenues decreased 75% or \$247.9 million compared to the prior period, primarily due to the termination of the Jamex TLA, as discussed above.

Revenues from sales of crude oil increased 32% or \$89.5 million primarily due to a \$64.1 million increase related to the increase in the market price of crude oil and a \$25.4 million increase related to the volume of crude oil sold.

Gross margin

Gross margin decreased 76% or \$116.7 million compared to the prior period, primarily due to the termination of the Jamex TLA, as discussed above.

Operating income (loss)

We recorded an operating loss of \$26.3 million during fiscal 2017 as compared to an operating loss of \$648.3 million for fiscal 2016.

Prior year results from our midstream operations include an impairment charge of \$658.1 million related to the impairment of indefinite-lived intangible assets, definite-lived intangible assets, property, plant and equipment, and goodwill that was not repeated in the current period as discussed above.

Operating loss, without regard to the impairment charges discussed above, decreased due to a \$116.7 million decrease in gross margin which resulted primarily from the termination of the Jamex TLA, as discussed above, partially offset by the following: a \$44.7 million decrease in depreciation and amortization expense due to the impact of the asset impairment charge recognized during the fourth quarter of fiscal 2016; a decrease of \$16.4 million in "Loss on asset sales and disposal" due to a loss recognized in the prior year that was not repeated in the current fiscal year, and a \$19.7 million decrease in "Operating, general and administrative expenses." "Operating, general and administrative expense" decreased primarily due to decreases in personnel, plant and office expenses related to the termination of the Jamex TLA.

Adjusted EBITDA

Adjusted EBITDA decreased \$95.9 million compared to the prior fiscal year period, primarily due to a \$115.8 million decrease in gross margin, partially offset by the \$19.9 million decrease in operating, general and administrative expenses, both as discussed above.

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## Corporate

The following table summarizes the financial results of our corporate operations for the periods indicated: (amounts in thousands)

Fiscal year ended July 31,	2017	2016	Increase (Decrease)
Operating, general and administrative expense (a)	\$45,615	\$52,387	\$(6,772)(13)%
Equipment lease expense	2,375	2,877	(502)(17)%
Operating loss	(66,216)	(90,807)	(24,591)(27)%
Depreciation and amortization expense	3,138	7,948	(4,810)(61)%
Non-cash employee stock ownership plan compensation charge	15,088	27,595	(12,507)(45)%
Non-cash stock based compensation charge	3,298	9,324	(6,026)(65)%
Severance costs	1,479	73	1,406 NM
Acquisition and transition expenses	—	99	(99)NM
Adjusted EBITDA	\$(43,213)	\$(45,768)	\$2,555 6%

NM-Not Meaningful

(a) Some general and administrative expenses have been allocated to other segments.

## Operating loss

Corporate operations recognized an operating loss of \$66.2 million for fiscal 2017, compared to an operating loss of \$90.8 million recognized during fiscal 2016, primarily due to a \$12.5 million decrease in non-cash employee and stock ownership plan compensation and a \$6.0 million decrease in non-cash stock based compensation charges, both primarily due to the decrease in our unit price during fiscal 2017.

## Adjusted EBITDA

The Adjusted EBITDA within "corporate" increased by \$2.6 million primarily due to a decrease of \$2.1 million in general corporate support resulting from our efforts to control costs.

## Segment Operating Results for the years ended July 31, 2016 and 2015

## Items Impacting the Comparability of Our Financial Results

Our current and future results of operations may not be comparable to our historical results of operations for the periods presented due to acquisitions. We expanded our midstream business by entering the crude oil logistics business through our acquisition of Bridger in June 2015.

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## Propane operations and related equipment sales

The following table summarizes propane sales volumes and the financial results of our propane operations and related equipment sales segment for the periods indicated:  
(amounts in thousands)

Fiscal year ended July 31,	2016	2015	Increase (Decrease)	
Propane sales volumes (gallons):				
Retail - Sales to End Users	552,771	608,781	(56,010)	(9)%
Wholesale - Sales to Resellers	226,121	270,065	(43,944)	(16)%
	778,892	878,846	(99,954)	(11)%
Revenues -				
Propane and other gas liquids sales:				
Retail - Sales to End Users	\$777,830	\$1,071,754	\$(293,924)	(27)%
Wholesale - Sales to Resellers	375,845	478,247	(102,402)	(21)%
Other Gas Sales (a)	48,693	107,015	(58,322)	(54)%
Other (b)	211,761	260,185	(48,424)	(19)%
Propane operations and related equipment revenues	\$1,414,129	\$1,917,201	\$(503,072)	(26)%
Gross Margin -				
Propane and other gas liquids sales: (c)				
Retail - Sales to End Users (a)	\$448,255	\$493,407	\$(45,152)	(9)%
Wholesale - Sales to Resellers (a)	189,680	186,385	3,295	2%
Other (b)	85,524	89,488	(3,964)	(4)%
Propane operations and related equipment gross margin	723,459	769,280	(45,821)	(6)%
Operating expense	414,103	423,935	9,832	2%
Equipment lease expense	25,481	22,766	(2,715)	(12)%
Operating income	204,910	239,263	(34,353)	(14)%
Depreciation and amortization expense	69,785	76,217	6,432	8%
Loss on asset sales and disposals	9,180	7,099	(2,081)	(29)%
Severance costs	1,287	—	(1,287)	NM
Litigation accrual and related legal fees associated with a class action lawsuit	—	806	806	NM
Unrealized (non-cash) losses on changes in fair value of derivatives	1,585	2,412	827	34%
Adjusted EBITDA	\$286,747	\$325,797	\$(39,050)	(12)%

## NM-Not Meaningful

- (a) Gross margin for 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) Other primarily includes appliance and material sales, and to a lesser extent various customer fee income.
- (c) 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.

Propane sales volumes during fiscal 2016 decreased 11% or 100.0 million gallons, from that of the prior year period primarily due to 56.0 million and 44.0 million of decreased gallon sales to retail and wholesale customers, respectively.



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Weather in the more highly concentrated geographic areas we served for fiscal 2016 was approximately 19% warmer than normal and 16% warmer than that of the prior fiscal 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 fiscal 2016 averaged 34% and 35% less than the prior fiscal year period, respectively. The wholesale market price at Mt. Belvieu, Texas averaged \$0.43 and \$0.65 per gallon during fiscal 2016 and 2015, respectively, while the wholesale market price at Conway, Kansas averaged \$0.40 and \$0.62 per gallon during fiscal 2016 and 2015, respectively.

We believe the effect of this significant decrease in the average wholesale market price of propane contributed to a decrease in our sales price per gallon.

### Revenues

Retail sales decreased \$293.9 million compared to the prior year period. This decrease resulted primarily from a \$195.3 million decrease in sales price per gallon and \$98.6 million due to decreased sales volumes, both as discussed above.

Wholesale sales decreased \$102.4 million compared to the prior year period. This decrease resulted primarily from a \$66.3 million decrease in sales price per gallon and \$36.1 million due to decreased sales volumes, both as discussed above.

Other gas sales decreased \$58.3 million compared to the prior year period primarily due to \$31.3 million resulting from decreased sales volumes and \$27.0 million from a decrease in sales price per gallon, both as discussed above.

Other revenues decreased \$48.4 million compared to the prior year period, primarily due to a decrease in the sale of certain lower margin equipment sales.

### Gross margin - Propane and other gas liquids sales

Gross margin decreased \$41.9 million compared to the prior year period. This decrease resulted primarily from a \$39.3 million decrease in propane sales volumes, as discussed above, and to a lesser extent a \$2.4 million decrease in gross margin per gallon.

### Gross margin - Other

Gross margin decreased \$4.0 million primarily due to a \$2.7 million decrease in miscellaneous fees billed to customers.

### Operating income

Operating income decreased \$34.4 million primarily due to the \$41.9 million of decreased "Gross margin - Propane and other gas liquid sales", as discussed above, a \$4.0 million decrease in "Gross margin - Other", as discussed above and a \$2.7 million increase in "Equipment lease expense" primarily due to the replacement of older vehicles, partially offset by an \$9.0 million decrease in "Operating expense". Operating expense decreased primarily due to a \$6.0 million decrease in vehicle fuel costs, a \$5.0 million reduction in other personnel costs, \$2.2 million reduction in bad debt expense, a \$2.1 million reduction in performance-based incentive expenses and a \$1.8 million reduction in plant and office expenses, partially offset by a \$7.5 million increase in general liability and workers compensation costs.

Adjusted EBITDA

Adjusted EBITDA decreased \$39.1 million primarily due to a \$41.9 million decrease in "Gross margin - Propane and other gas liquid sales", a \$4.0 million decrease in "Gross margin - Other", each as discussed above, and a \$2.7 million increase in "Equipment lease expense" primarily due to the replacement of older vehicles, partially offset by a \$9.5 million decrease in operating expense. Operating expense decreased primarily due to a \$5.1 million decrease in vehicle fuel costs, a \$5.0 million reduction in other personnel costs, \$2.2 million reduction in bad debt expense, a \$2.1 million reduction in performance-based incentive expenses and a \$1.8 million reduction in plant and office expenses, partially offset by a \$7.5 million increase in general liability and workers compensation costs.

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## Midstream operations

The following table summarizes the volume of product sold and hauled and the financial results of our midstream operations segment for the periods indicated:

(amounts in thousands)

Fiscal year ended July 31,	2016	2015	Increase (Decrease)	
Volumes (barrels):				
Crude oil hauled	79,411	10,447	68,964	NM
Crude oil sold	6,860	702	6,158	NM
Revenues -				
Crude oil logistics	\$332,332	\$49,648	\$282,684	NM
Crude oil sales	281,267	44,082	237,185	NM
Other	11,639	13,459	(1,820)	(14)%
	625,238	107,189	518,049	NM
Gross margin (a) -				
Crude oil logistics	136,305	13,323	122,982	NM
Crude oil sales	13,100	12,069	1,031	9%
Other	4,599	5,207	(608)	(12)%
	154,004	30,599	123,405	NM
Operating, general and administrative expense (b)	49,323	10,137	(39,186)	NM
Equipment lease expense	475	43	(432)	NM
Operating income (loss)	(648,347)	1,257	(649,604)	NM
Depreciation and amortization expense	72,780	19,162	(53,618)	NM
Asset impairments	658,118	—	(658,118)	NM
Loss on asset sales and disposals	21,655	—	(21,655)	NM
Change in fair value of contingent consideration	(100)	(6,300)	(6,200)	NM
Severance costs	93	—	(93)	NM
Unrealized (non-cash) losses on changes in fair value of derivatives	(448)	—	448	NM
Adjusted EBITDA	\$103,751	\$14,119	\$89,632	NM

Our midstream operations significantly expanded with the addition of crude oil logistics operations which began with our June 2015 acquisition of Bridger; thus fiscal 2016 reflect a full year of operations, while fiscal 2015 only included five weeks of such operations.

## Revenues

We generated \$271.5 million of revenues relating to the hauling of 79.4 million barrels of crude oil, \$52.1 million of revenues under the pay portion of take-or-pay arrangements and \$281.3 million of revenues relating to sales of 6.9 million barrels of crude oil and associated fees.

## Gross margin

We generated \$136.3 million of gross margin relating to the hauling of crude oil and related take-or-pay arrangements and \$13.1 million of gross margin relating to the sales of crude oil and associated fees.





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## Operating income (loss)

We recorded an operating loss of \$648.3 million during fiscal 2016 as compared to operating income of \$1.3 million for fiscal 2015. Current year results include asset impairment charges of \$658.1 million related to the impairment of indefinite-lived intangible assets, definite-lived intangible assets, property, plant and equipment, and goodwill, as discussed above.

## Adjusted EBITDA

During fiscal 2016, Adjusted EBITDA increased to \$103.8 million compared to \$14.1 million in fiscal 2015, primarily due to fiscal 2016 including the first fiscal year with a full year of crude oil logistics operations.

## Corporate

The following table summarizes the financial results of our corporate operations for the periods indicated: (amounts in thousands)

	2016	2015	Increase (Decrease)	
Fiscal year ended				
Operating, general and administrative expense (a)	\$52,387	\$80,623	\$(28,236)	(35)%
Equipment lease expense	2,877	1,464	1,413	97%
Operating loss	(90,807)	(110,000)	19,193	(17)%
Depreciation and amortization expense	7,948	3,200	4,748	NM
Non-cash employee stock ownership plan compensation charge	27,595	24,713	2,882	12%
Non-cash stock based compensation charge	9,324	25,982	(16,658)	(64)%
Severance costs	73	—	73	NM
Acquisition and transition expenses	99	16,373	(16,274)	NM
Adjusted EBITDA	\$(45,768)	\$(39,732)	\$(6,036)	15%

## NM-Not Meaningful

(a) Some general and administrative expenses have been allocated to other segments.

## Operating loss

Corporate operations, recognized an operating loss of \$90.8 million during fiscal 2016, compared to an operating loss of \$110.0 million recognized during fiscal 2015. The decrease in corporate operating loss resulted primarily due to \$16.4 million of non-recurring acquisition costs incurred related to the Bridger acquisition in June 2015.

## Adjusted EBITDA

The Adjusted EBITDA within corporate operations decreased by \$6.0 million primarily due to an increase in "General and administrative expense" related to the impact of Bridger acquisition on corporate expenses.

## Liquidity and Capital Resources

## General

Our primary sources of liquidity and capital resources are cash flow from operating activities, borrowings under our secured credit facility or accounts receivable securitization facility and funds received from sales of debt and equity securities. These liquidity and capital resources are intended 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, covenants in our debt agreements, unforeseen demands on cash, or other events beyond our control.

Financial Covenants

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As more fully described in Item 7. Management's Discussion and Analysis under the subheading "Financial Covenants", the indenture governing the outstanding notes of Ferrellgas Partners and the agreements governing the operating partnership's indebtedness contain various covenants that limit our ability to, among other things, incur additional indebtedness and make distribution payments to our common unitholders. Given the limitations and the lack of headroom on these covenants, we continue to execute on a strategy to reduce our debt and interest expense. If we are unsuccessful with our strategy to reduce debt and interest expense, or are unsuccessful in renegotiating our secured credit facility, which matures in October 2018, or are unable to secure alternative liquidity sources, we may not have the liquidity to fund our operations after that maturity date.

We may not meet the applicable financial tests in future quarters if we were to experience:

- continued significantly warmer than normal temperatures during the upcoming winter heating season;
- a more volatile energy commodity cost environment;
- an unexpected downturn in business operations;
- a significant delay in the collection of accounts or notes receivable;
- a failure to execute our debt and interest expense reduction initiatives;
- a change in customer retention or purchasing patterns due to economic or other factors in the United States;
- a material downturn in the credit and/or equity markets; or
- a large uninsured, unfavorable lawsuit settlement.

We may seek additional capital as part of our debt reduction strategy. 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 July 31, 2017, 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 July 31, 2017, Ferrellgas Partners had \$500.0 million available under this shelf registration statement.

As described in Item 1A. Risk Factors, on the date of filing of this annual report, we no longer meet the criteria of a "well-known seasoned issuer" under which the first shelf registration statement noted above was originally filed as an automatic shelf registration statement. If we wish to continue to use such registration statement to issue securities from time to time, we will need to file a post-effective amendment to the registration statement to convert it to a non-automatic shelf registration statement that we are eligible to use. Such post-effective amendment is subject to review by the SEC and must be declared effective by the SEC.

As described in financing activities below, on August 22, 2017 the board of directors of our general partner announced a quarterly distribution of \$0.10 per common unit, which was paid on September 14, 2017, to all unitholders of record as of September 7, 2017, which equates to an annual distribution rate of \$0.40 per common unit.

### Distributable Cash Flow

Distributable cash flow to equity investors is reconciled to net earnings (loss) attributable to Ferrellgas Partners L.P. in Item 6. Selected Financial Data. A comparison of distributable cash flow to distributions paid for the year ended July 31, 2017 to the year ended July 31, 2016 is as follows (in thousands):

	Distributable Cash Flow to equity investors	Cash reserves (deficiency) approved by our General Partner	Cash distributions paid to equity investors	DCF ratio
Year ended July 31, 2017	\$ 77,182	\$ (3,601 )	\$ 80,783	0.96
Year ended July 31, 2016	199,979	(6,427 )	206,406	0.97
Increase (decrease)	\$ (122,797 )	\$ 2,826	\$ (125,623 )	(0.01)

For the year ended July 31, 2017 distributable cash flow attributable to equity investors decreased \$122.8 million compared to the year ended July 31, 2016. Cash distributions paid decreased \$125.6 million due to the decrease in our quarterly distribution rate and fewer common units outstanding due to repurchases. Our quarterly distribution rate decreased from \$0.5125 per quarter to \$0.10 per quarter, which was effective for the three months ended October 31, 2016. Additionally, we

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repurchased units 2.4 million and 0.9 million units from Jamex on November 13, 2015 and September 1, 2016, respectively. The decrease in distributable cash flow, partially offset by the reduction in our distribution rate and reduced common units outstanding resulted in a decrease in our distribution coverage ratio to 0.96 for the year ended July 31, 2017 as compared to 0.97 for the year ended July 31, 2016. Cash reserves, which we utilize to meet future anticipated expenditures, decreased by \$3.6 million during the year ended July 31, 2017 compared to a decrease of \$6.4 million in the year ended July 31, 2016.

We believe that the liquidity available from our cash flow from operating activities, our secured credit facility, the accounts receivable securitization facility, combined with our other debt and interest expense reduction initiatives, which may include issuance of equity, restructuring existing debt agreements, asset sales or a further reduction in our annualized distribution will be sufficient to meet our capital expenditure, working capital and letter of credit requirements. If we are unsuccessful with our strategy to reduce debt and interest expense, or are unsuccessful in renegotiating our secured credit facility, which expires in October 2018, or are unable to secure alternative liquidity sources we may not have the liquidity to meet our capital expenditure, working capital and letter of credit 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 and crude oil, 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 weather, economic, financial and business 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 propane operations and related products cash flows from operations is generated during the winter heating season. Our Midstream operations segment is 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 operations and related equipment sales segment.

### Operating Activities

#### Ferrellgas Partners

#### Fiscal 2017 v Fiscal 2016

Net cash provided by operating activities was \$127.3 million for fiscal 2017, compared to net cash provided by operating activities of \$194.3 million for fiscal 2016. This decrease in cash provided by operating activities was primarily due to a \$123.7 million decrease in cash flow from operations, partially offset by a \$62.5 million decrease in working capital requirements.

The decrease in cash flow from operations was primarily due to a \$138.0 million decrease in gross margin, as discussed above by segment, a \$14.5 million increase in "Interest expense", as discussed above, partially offset by a \$26.2 million decrease in "Operating expense" and a \$1.6 million decrease in "General and administrative expense", both as discussed above by segment, exclusive of the effects of fluctuations in non-cash stock-based compensation.

The decrease in working capital requirements in fiscal 2017 compared to fiscal 2016 was primarily due to a \$53.2 million decrease in requirements for other current liabilities resulting primarily from the timing of payments in our propane and midstream businesses, an increase in margin deposits received from our counterparties during fiscal 2017, settlement of outstanding litigation in fiscal 2016, which did not repeat itself during fiscal 2017, and a \$32.4 million decrease in requirements for accounts payable largely due to the timing of payments in our propane and midstream operations. These decreases in requirements were partially offset by a \$12.2 million increase in requirements for accounts receivable primarily due to increases in accounts receivable in our Propane operations and related equipment sales resulting from increased cost of propane gas during fiscal 2017 and timing of billings and payments in our Midstream segment, a \$7.7 million increase in requirements for inventory primarily due to increases in the cost of propane gas during fiscal 2017, and a \$5.9 million increase in requirements for prepaid expenses and other assets due primarily to a decrease in margin deposits returned to us by our counterparties during fiscal 2017.

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Fiscal 2016 v Fiscal 2015

Net cash provided by operating activities was \$194.3 million for fiscal 2016, compared to net cash provided by operating activities of \$203.1 million for fiscal 2015. This decrease in cash provided by operating activities was primarily due to a \$61.9 million increase in working capital requirements, partially offset by a \$30.0 million favorable impact in other assets, net, primarily due to increases in required margin deposits made toward price risk management activities during the year ended July 31, 2015 compared to reductions in margin deposits required during the year ended July 31, 2016, and a \$23.2 million increase in cash flow from operations.

The increase in working capital requirements in fiscal 2016 compared to fiscal 2015 was primarily due to a \$43.3 million increase in requirements for inventory primarily resulting from substantial reductions in the price of propane during fiscal 2015 that did not repeat during fiscal 2016, a net \$64.4 million increase in requirements for accounts payable and other current liabilities primarily due to payments during fiscal 2016 of liabilities acquired in connection with the Bridger acquisition, the timing of purchases and disbursements, and settlement of litigation during the first quarter of 2016, and a \$5.8 million year over year increase in requirements due to an increase in accrued interest during fiscal 2015 due to debt issued in June 2015 in contemplation of the acquisition of Bridger. These increases in working capital requirements were partially offset by a \$42.9 million decrease in requirements for prepaid expenses and other current assets largely due to increases in required margin deposits made toward price risk management activities during fiscal 2015 compared to reductions in margin deposits required during fiscal 2016, an \$8.6 million decrease in requirements for accounts receivable resulting primarily from decreases in accounts receivable in our propane operations and related equipment sales segment, partially offset by increases in accounts receivable in our Midstream operations segment.

The increase in cash flow from operations is primarily due to a \$77.6 million increase in gross margin, as discussed above by segment, a \$7.9 million decrease in "General and administrative expense," partially offset by a \$25.6 million increase in "Operating expense," and a \$37.5 million increase in "Interest expense." These amounts exclude the effects of fluctuations in non-cash stock-based compensation.

The operating partnership

Fiscal 2017 v Fiscal 2016

Net cash provided by operating activities was \$148.7 million for fiscal 2017, compared to net cash provided by operating activities of \$212.7 million for fiscal 2016. This decrease in cash provided by operating activities was due to a \$116.5 million decrease in cash flow from operations, partially offset by a \$58.3 million decrease in working capital requirements.

The decrease in cash flow from operations was primarily due to a \$138.0 million decrease in gross margin, as discussed above by segment, a \$5.4 million increase in "Interest expense" due to increased interest rates under our secured credit facility during fiscal 2017, partially offset by a \$26.2 million decrease in "Operating expense" and a \$1.2 million decrease in "General and administrative expense", both as discussed above by segment, exclusive of the effects of fluctuations in non-cash stock-based compensation.

The decrease in working capital requirements in fiscal 2017 compared to fiscal 2016 was primarily due to a \$50.8 million decrease in requirements for other current liabilities resulting primarily from the timing of payments in our propane and midstream businesses, an increase in margin deposits received from our counterparties during fiscal 2017, settlement of outstanding litigation in fiscal 2016, which did not repeat itself during fiscal 2017, and a \$32.4 million decrease in requirements for accounts payable largely due to the timing of payments in our propane and midstream operations. These decreases in requirements were partially offset by an \$11.9 million increase in



requirements for accounts receivable primarily due to increases in accounts receivable in our propane operations and related equipment sales resulting from increased cost of propane gas during fiscal 2017 and timing of billings and payments in our Midstream segment, a \$7.7 million increase in requirements for inventory primarily due to increases in the cost of propane gas during fiscal 2017, and a \$6.0 million increase in requirements for prepaid expenses and other assets due primarily to a decrease in margin deposits returned to us by our counterparties during fiscal 2017.

Fiscal 2016 v Fiscal 2015

Net cash provided by operating activities was \$212.7 million for fiscal 2016, compared to net cash provided by operating activities of \$216.5 million for fiscal 2015. This decrease in cash provided by operating activities was primarily due to a \$57.3 million increase in working capital requirements, partially offset by a \$30.0 million favorable impact in other assets, net, primarily due to increases in required margin deposits made toward price risk management activities during fiscal 2015 compared to reductions in margin deposits required during fiscal 2016, and a \$23.5 million decrease in cash flow from operations.

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The decrease in working capital requirements in fiscal 2016 compared to the fiscal 2015 was primarily due to a \$43.3 million increase in requirements for inventory primarily resulting from substantial reductions in the price of propane during fiscal 2015 that did not repeat during fiscal 2016, a net \$59.4 million increase in requirements for accounts payable and other current liabilities primarily due to payments during fiscal 2016 of liabilities acquired in connection with the Bridger acquisition, the timing of purchases and disbursements, and settlement of litigation during the first quarter of 2016, and a \$5.8 million year over year increase in requirements due to an increase in accrued interest during fiscal 2015 due to debt issued in June 2015 in contemplation of the acquisition of Bridger. These increases in working capital requirements were partially offset by a \$42.9 million decrease in requirements for prepaid expenses and other current assets largely due to increases in required margin deposits made toward price risk management activities during fiscal 2015 compared to reductions in margin deposits required during fiscal 2016, an \$8.3 million decrease in requirements for accounts receivable resulting primarily from decreases in accounts receivable in our propane operations and related equipment sales segment, partially offset by increases in accounts receivable in our Midstream operations segment.

The increase in cash flow from operations is primarily due to a \$77.6 million increase in gross margin, as discussed above by segment, a \$7.9 million decrease in "General and administrative expense," partially offset by a \$25.6 million increase in "Operating expense," and a \$37.6 million increase in "Interest expense." These amounts exclude the effects of fluctuations in non-cash stock-based compensation.

### Investing Activities

#### Ferrellgas Partners

#### 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.

#### Fiscal 2017 v Fiscal 2016

Net cash used in investing activities was \$45.5 million for fiscal 2017, compared to net cash used in investing activities of \$115.9 million for fiscal 2016. This decrease in net cash used in investing activities is primarily due to a \$67.0 million decrease in "Capital expenditures" and an \$11.6 million decrease in "Business acquisitions, net of cash acquired", partially offset by an \$8.6 million decrease in "proceeds from asset sales".

The decrease in "Capital expenditures" is primarily due to \$62.8 million of Midstream operations' growth capital expenditure projects during fiscal 2016 that were not repeated, as well as our efforts to tightly control capital expenditures and operating costs during this period of high leverage, including a \$4.2 million decrease in Propane operations and related equipment sales' capital expenditures in fiscal 2017 compared to fiscal 2016.

The decrease in "Business acquisitions, net of cash acquired" is primarily attributable to the acquisition of a midstream trucking business during fiscal 2016 that was not repeated in fiscal 2017.

The decrease in "Proceeds from sale of assets" is primarily related to trucks sold during fiscal 2016, as part of a plan in the prior period to right-size our truck fleet owned by our Midstream operations segment.

Due to the mature nature of our Propane operations and related equipment sales operations segment, 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 opportunistic projects.

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

### Fiscal 2016 v Fiscal 2015

Net cash used in investing activities was \$115.9 million for fiscal 2016, compared to net cash used in investing activities of \$708.0 million for fiscal 2015. This decrease in net cash used in investing activities is primarily due to a decrease of \$626.3 million in "Business acquisitions, net of cash acquired" and an increase of \$11.2 million in proceeds from asset sales, partially offset by a \$45.0 million increase in "Capital expenditures".

The decrease in cash used for "Business acquisitions, net of cash acquired" is primarily attributable to our fiscal 2015 acquisition of Bridger Logistics, LLC.

The increase in "Capital expenditures" is primarily due to a \$49.7 million increase in Midstream operations segment growth projects.

### Financing Activities

#### Ferrellgas Partners

### Fiscal 2017 v Fiscal 2016

Net cash used in financing activities was \$81.0 million for fiscal 2017, compared to net cash used in financing activities of \$81.2 million for fiscal 2016. This decrease in cash flows used in financing activities was primarily due to an \$124.4 million reduction in distributions, a \$30.6 million reduction in common unit repurchases, largely offset by a \$56.5 million net decrease in proceeds from short-term debt and a \$96.6 million net decrease in proceeds from long-term debt.

### Fiscal 2016 v Fiscal 2015

Net cash used in financing activities was \$81.2 million for fiscal 2016, compared to net cash provided by financing activities of \$504.3 million for fiscal 2015. This change in cash flows from financing activities was primarily due to \$181.0 million of net proceeds from equity offerings during fiscal 2015 related to the Bridger acquisition, a decrease in net proceeds from long-term debt of \$355.5 million due primarily to debt issued during fiscal 2015 related to the Bridger acquisition, a \$46.4 million repurchase of common units during fiscal 2016, and a \$37.1 million increase in distributions paid in fiscal 2016 due to additional shares issued in connection with the Bridger acquisition, partially offset by a net increase in proceeds from short-term borrowings of \$35.2 million.

### Distributions

Ferrellgas Partners paid quarterly per unit distributions of \$0.5125 in connection with the distributions declared for the three month period ended July 31, 2016 and \$0.10 in connection with the distributions declared for the three month periods ended October 31, 2016, January 31, 2017 and April 30, 2017. Total distributions paid to common unitholders during fiscal 2017, including the related general partner distributions, was \$79.7 million. The quarterly distribution of \$0.10 on all common units and the related general partner distribution for the three months ended July 31, 2017 of \$9.8 million was paid on September 14, 2017 to holders of record on September 7, 2017. During fiscal 2017 the operating partnership paid its general partner \$1.1 million in connection with the quarterly distributions.

Ferrellgas Partners paid a \$0.5125 per unit quarterly distribution on all common units, as well as the related general partner distributions, totaling \$204.2 million during fiscal 2016 in connection with the distributions declared for the three month periods ended July 31, 2015, October 31, 2015, January 31, 2016 and April 30, 2016. During fiscal 2016, the operating partnership paid its general partner \$2.2 million in connection with the quarterly distributions.

#### Secured credit facility

Refer to discussions of covenants in our debt agreements at the beginning of Item 7. Management's Discussion & Analysis, under the subheading "Financial Covenants".

On April 28, 2017, we entered into a sixth amendment to our secured credit facility to, among other modifications discussed above, modify our maximum consolidated leverage ratio covenant and our consolidated interest ratio covenant. On September 27, 2016, we entered into a fifth amendment to our secured credit facility to modify our maximum consolidated

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leverage ratio covenant. On January 14, 2016, our operating partnership, Ferrellgas, L.P., executed a commitment increase supplement to its secured credit facility that increased the size of this facility from \$600 million to \$700 million. The commitment increase supplement did not change the interest rate or maturity date of the secured credit facility which remains at October, 2018. During June 2015, we executed a fourth amendment to our secured credit facility to administer certain technical revisions in order to facilitate the Bridger Logistics Acquisition and related funding. This amendment did not change the terms or maturity date of the secured credit facility which remained at October 2018.

As of July 31, 2017, we had total borrowings outstanding under our secured credit facility of \$245.5 million, of which \$185.7 million was classified as long-term debt. Additionally, Ferrellgas had \$190.3 million of available borrowing capacity under our secured credit facility as of July 31, 2017. However, the consolidated leverage ratio covenant under this facility limits additional borrowings to \$67.5 million as of July 31, 2017.

Borrowings outstanding at July 31, 2017 under the secured credit facility had a weighted average interest rate of 6.0%. All borrowings under the secured credit facility bear interest, at Ferrellgas' option, at a rate equal to either:

for Base Rate Loans or Swing Line Loans, the Base Rate, which is defined as the higher of i) the federal funds rate plus 0.50%, ii) Bank of America's prime rate; or iii) the Eurodollar Rate plus 1.00%; plus a margin varying from 0.75% to 3.00% (as of July 31, 2017 and 2016, the margin was 2.75% and 1.75%, respectively); or for Eurodollar Rate Loans, the Eurodollar Rate, which is defined as the LIBOR Rate plus a margin varying from 1.75% to 4.00% (as of July 31, 2017 and 2016, the margin was 3.75% and 2.75%, respectively).

As of July 31, 2017, the federal funds rate and Bank of America's prime rate were 1.07% and 4.25%, respectively. As of July 31, 2017, the one-month and three-month Eurodollar Rates were 1.23% and 1.31%, 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 secured credit facility exceeds the sum of (i) the outstanding amount of revolving credit loans and (ii) the outstanding amount of letter of credit obligations.

The obligations under this secured credit facility are secured by substantially all assets of the operating partnership, the general partner and certain subsidiaries of the operating partnership but specifically excluding (a) assets that are subject to the operating partnership's 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 July 31, 2017 totaled \$139.2 million and were used to secure commodity hedges and product purchases, and to a lesser extent, insurance arrangements. At July 31, 2017, we had available letter of credit remaining capacity of \$60.8 million.

All standby letter of credit commitments under our secured credit facility bear a per annum rate varying from 1.75% to 4.00% (as of July 31, 2017, the rate was 3.75%) 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

Refer to discussions of covenants in our accounts receivable securitization agreement at the beginning of Item 7. Management's Discussion & Analysis, under the subheading "Financial Covenants".

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

Cash flows from our accounts receivable securitization facility increased \$11.0 million in fiscal 2017. We received net funding of \$5.0 million from this facility during fiscal 2017 as compared to net reductions in funding of \$6.0 million from this facility in fiscal 2016.

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. On April 28, 2017, we entered into a fifth amendment to our accounts receivable facility to modify our maximum consolidated leverage ratio covenant and our consolidated interest

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ratio covenant. On September 27, 2016, we entered into a fourth amendment to our accounts receivable facility to modify our maximum consolidated leverage ratio covenant and our consolidated interest ratio covenant. During July 2016, we executed an amendment to our accounts receivable securitization facility. This amended accounts receivable securitization facility has up to \$225.0 million of capacity and matures on the earlier of the Secured Credit Facility maturity date and July 29, 2019. This agreement allows for proceeds of up to \$225.0 million during the months of January and February, \$175.0 million during the months of March, April, November and December and \$145.0 million for all other months, depending on available undivided interests in our accounts receivable from certain customers. As of July 31, 2017, we had received cash proceeds of \$69.0 million related to the securitization of our trade accounts receivable, with no remaining capacity to receive additional proceeds. As of July 31, 2017, the weighted average interest rate was 4.0%. As our trade accounts receivable increase during the winter heating season, the securitization facility permits us to receive greater proceeds as eligible trade accounts receivable increases, thereby providing additional cash for working capital needs.

### Common unit issuance

Ferrellgas Partners issued no common units under its unit option plan in fiscal 2017.

During fiscal 2016 Ferrellgas Partners issued \$0.2 million of common units under its unit option plan.

### Common unit repurchases

In connection with the Jamex Termination Agreement, on September 1, 2016, Ferrellgas Partners repurchased approximately 0.9 million of Ferrellgas Partners' common units from Jamex for approximately \$15.9 million, utilizing borrowings under our secured credit facility.

On November 13, 2015, Ferrellgas Partners repurchased approximately 2.4 million common units from Jamex for approximately \$45.9 million. Ferrellgas distributed approximately \$1.0 million to the general partner in connection with the distribution to Ferrellgas Partners of the cash to effect this transaction. All such amounts were financed by borrowings under our secured credit facility.

### Debt issuances and repayments

During August 2017, we completed an offer to exchange \$175.0 million principal amount of our 8.625% unsecured senior notes due 2020, which were registered under the Securities Act of 1933, as amended, for a like principal amount of our outstanding and unregistered 8.625% senior notes due 2020, which were issued in January 2017.

During January 2017, Ferrellgas Partners issued \$175.0 million in aggregate principal amount of additional 8.625% unsecured senior notes due 2020 at a price of 96% of par. We received \$166.1 million of net proceeds after deducting initial purchase discounts and estimated expenses of the offering. We applied the net proceeds to reduce outstanding indebtedness under our secured credit facility.

During June 2016, the operating partnership completed an offer to exchange \$500.0 million principal amount of its 6.75% senior notes due 2023, which were registered under the Securities Act of 1933, as amended, for a like principal amount of its outstanding and unregistered 6.75% senior notes due 2023, which were issued in June 2015.

### The operating partnership

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



Cash distributions paid

The operating partnership made quarterly cash distribution payments totaling \$104.0 million and \$222.3 million during fiscal 2017 and 2016, respectively. The operating partnership also made a cash distribution payment of \$9.9 million on September 14, 2017 for the three months ended July 31, 2017.

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On September 1, 2016, the operating partnership distributed \$15.9 million to Ferrellgas Partners in connection with the repurchase of approximately 0.9 million of Ferrellgas Partners' common units from Jamex Marketing, LLC. This transaction was financed by borrowings under our secured credit facility.

On November 13, 2015, the operating partnership distributed \$46.8 million and \$0.5 million, respectively to Ferrellgas Partners and the general partner in connection with the repurchase of approximately 2.4 million of Ferrellgas Partners' common units from Jamex Marketing, LLC. All such amounts were financed by borrowings under our secured credit facility.

## Disclosures about Effects of Transactions with Related Parties

We have no employees and are managed and controlled by our general partner. Pursuant to our partnership agreement, our general partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on our behalf, and all other necessary or appropriate expenses allocable to us or otherwise reasonably incurred by our general partner in connection with operating our business. These reimbursable costs, which totaled \$260.0 million for fiscal 2017, include operating expenses such as compensation and benefits paid to employees of our general partner who perform services on our behalf, as well as related general and administrative expenses and severance costs.

Related party common unitholder information (based on the most recent Schedule 13G, Schedule 13D or Section 16 SEC filing, or information provided by the beneficial owner) consisted of the following:

	Common unit ownership at July 31, 2017	Distributions paid during the year ended (in thousands) July 31, 2017
Ferrell Companies (1)	22,529,361	\$ 18,305
FCI Trading Corp. (2)	195,686	160
Ferrell Propane, Inc. (3)	51,204	41
James E. Ferrell (4)	4,763,475	3,869

(1) Ferrell Companies is the owner of the general partner and is an approximate 23% 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 23.4% at July 31, 2017.

(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 Interim Chief Executive Officer and President of our general partner; and 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. 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.

During fiscal 2017, Ferrellgas Partners and the operating partnership together paid the general partner distributions of \$1.8 million.

On September 14, 2017, the operating partnership paid distributions to Ferrellgas Partners and the general partner of \$9.8 million and \$0.1 million, respectively.

On September 14, 2017, Ferrellgas Partners paid distributions to Ferrell Companies, FCI Trading Corp., Ferrell Propane, Inc., James E. Ferrell (indirectly), and the general partner of \$2.3 million, \$20 thousand, \$5 thousand, \$0.5 million, and \$0.1 million, respectively.

#### Contractual Obligations

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

The following table summarizes our contractual obligations at July 31, 2017:

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(in thousands)	Payment or settlement due by fiscal year						Total
	2018	2019	2020	2021	2022	Thereafter	
Long-term debt, including current portion (1)	\$2,578	\$187,644	\$358,180	\$501,055	\$370	\$974,978	\$2,024,805
Fixed rate interest obligations (2)	129,104	129,104	129,104	98,313	49,782	33,750	569,157
Operating lease obligations (3)	42,083	32,992	24,959	18,617	11,886	13,072	143,609
Operating lease buyouts (4)	3,095	4,205	2,937	3,302	6,086	5,069	24,694
Purchase obligations:							
Product purchase commitments (5)	82,973	19,611	1,757	—	—	—	104,341
Total	\$259,833	\$373,556	\$516,937	\$621,287	\$68,124	\$1,026,869	\$2,866,606
Underlying product purchase volume commitments (in gallons)	133,770	35,280	3,150	—	—	—	172,200

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

(2) Fixed rate interest obligations represent the amount of interest due on fixed rate long-term debt, not including the effect of interest rate swaps. These amounts do not include interest on the long-term portion of our secured credit facility, a variable rate debt obligation. As of July 31, 2017, variable rate interest on our outstanding balance of long-term variable rate debt of \$185.7 million would be \$9.2 million on an annual basis, not including the effect of interest rate swaps. Actual variable rate interest amounts will differ due to changes in interest rates and actual seasonal borrowings under our secured credit facility.

(3) We lease certain property, plant and equipment under noncancelable and cancelable operating leases. Amounts shown in the table represent minimum lease payment obligations under our third-party operating leases for the periods indicated.

(4) Operating lease buyouts represents the maximum amount we would pay if we were to exercise our right to buyout the assets at the end of their lease term. Historically, we have been successful in renewing certain leases that are subject to buyouts. However, there is no assurance we will be successful in the future.

(5) We define a purchase obligation as an agreement to purchase goods or services that is enforceable and legally binding (unconditional) on us that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions. We have long and short-term product purchase obligations for propane and energy commodities with third-party suppliers. These purchase obligations are entered into at either variable or fixed prices. The purchase prices that we are obligated to pay under variable price contracts approximate market prices at the time we take delivery of the volumes. Our estimated future variable price contract payment obligations are based on the July 31, 2017 market price of the applicable commodity applied to future volume commitments. Actual future payment obligations may vary depending on market prices at the time of delivery. The purchase prices that we are obligated to pay under fixed price contracts are established at the inception of the contract. Our estimated future fixed price contract payment obligations are based on the contracted fixed price under each commodity contract. Quantities shown in the table represent our volume commitments and estimated payment obligations under these contracts for the periods indicated.

The components of other noncurrent liabilities included in our consolidated balance sheets principally consist of property and casualty liabilities and the fair value of derivatives in connection with our risk management activity. These liabilities are not included in the table above because they are estimates of future payments and not contractually fixed as to timing or amount.

The operating partnership

The contractual obligation table above also applies to the operating partnership, except for long-term debt, including current portion and fixed rate interest obligations, which are summarized in the table below:

(in thousands)	Payment or settlement due by fiscal year						Total
	2018	2019	2020	2021	2022	Thereafter	
Long-term debt, including current portion (1)	\$2,578	\$187,644	\$1,180	\$501,055	\$370	\$974,978	\$1,667,805
Fixed rate interest obligations (2)	\$98,313	\$98,313	\$98,313	\$98,313	\$49,782	\$33,750	\$476,784

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The operating partnership has long and short-term payment obligations under agreements such as the operating partnership's senior notes and secured credit facility. Amounts shown in the table represent the operating partnership's scheduled future maturities of long-term debt (including current maturities thereof) for the periods indicated. For additional information regarding the operating partnership's debt obligations, please see "Liquidity and Capital Resources – Financing Activities."

(2) Fixed rate interest obligations represent the amount of interest due on fixed rate long-term debt, not including the effect of interest rate swaps. These amounts do not include interest on the long-term portion of our secured credit facility, a variable rate debt obligation. As of July 31, 2017, variable rate interest on our outstanding balance of long-term variable rate debt of \$185.7 million would be \$9.2 million on an annual basis, not including the effect of interest rate swaps. Actual variable rate interest amounts will differ due to changes in interest rates and actual seasonal borrowings under our secured credit facility.

The components of other noncurrent liabilities included in our consolidated balance sheets principally consist of property and casualty liabilities and the fair value of derivatives in connection with our risk management activity. These liabilities are not included in the table above because they are estimates of future payments and not contractually fixed as to timing or amount.

### Off-balance Sheet Financing Arrangements

In this section we discuss our off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has:

- made guarantees;
- an obligation under derivative instruments classified as equity; or
- any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the company, or that engages in leasing, hedging or research and development arrangements with the company.

Our off-balance sheet arrangements include the leasing of transportation equipment, property, plant and office equipment and letters of credit available under our secured credit facility.

The leasing of transportation equipment, property, plant and office equipment is accounted for as operating leases. We believe these arrangements are a cost-effective method for financing our equipment needs. These off-balance sheet arrangements enable us to lease equipment from third parties rather than, among other options, purchasing the equipment using on-balance sheet financing.

Most of the operating leases involving our transportation equipment contain residual value guarantees. These transportation equipment lease arrangements are scheduled to expire over the next seven years. Most of these arrangements provide that the fair value of the equipment will equal or exceed a guaranteed amount, or we will be required to pay the lessor the difference. Although the fair values at the end of the lease terms have historically exceeded these guaranteed amounts, the maximum potential amount of aggregate future payments we could be required to make under these leasing arrangements, assuming the equipment is worthless at the end of the lease term, was \$7.9 million as of July 31, 2017. We do not know of any event, demand, commitment, trend or uncertainty that would result in a material change to these arrangements.

See discussion about our letters of credit available under our secured credit facility and the sale of accounts receivable to our accounts receivable securitization facility both in "Liquidity and Capital Resources."

Adoption of New Accounting Standards

Below is a listing of a recently issued accounting pronouncement that we have not yet adopted as of July 31, 2017.

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Title of Guidance	Effective Date
Accounting Standard Update No. 2014-09 "Revenue from Contracts with Customers"	Fiscal years, and interim reporting periods within those years, beginning after December 15, 2017
Accounting Standard Update No. 2015-11, "Inventory (Topic 330) - Simplifying the Measurement of Inventory"	Fiscal years, and interim reporting periods within those years, beginning after December 15, 2016
Accounting Standard Update No. 2016-02, "Leases (Topic 842)"	Fiscal years, and interim reporting periods within those years, beginning after December 15, 2018
Accounting Standard Update No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)"	Fiscal years, and interim reporting periods within those years, beginning after December 15, 2019

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires us to establish accounting policies and make estimates and assumptions that affect our reported amounts of assets and liabilities at the date of the consolidated financial statements. These financial statements include some estimates and assumptions that are based on informed judgments and estimates of management. We evaluate our policies and estimates on an on-going basis and discuss the development, selection and disclosure of critical accounting policies with the Audit Committee of the Board of Directors of our general partner. Predicting future events is inherently an imprecise activity and as such requires the use of judgment. Our consolidated financial statements may differ based upon different estimates and assumptions.

We discuss our significant accounting policies in Note B – Summary of significant accounting policies – to our consolidated financial statements. Our significant accounting policies are subject to judgments and uncertainties that affect the application of such policies. We believe these financial statements include the most likely outcomes with regard to amounts that are based on our judgment and estimates. Our financial position and results of operations may be materially different when reported under different conditions or when using different assumptions in the application of such policies. In the event estimates or assumptions prove to be different from the actual amounts, adjustments are made in subsequent periods to reflect more current information. We believe the following accounting policies are critical to the preparation of our consolidated financial statements due to the estimation process and business judgment involved in their application:

Depreciation of property, plant and equipment

We calculate depreciation on property, plant and equipment using the straight-line method based on the estimated useful lives of the assets ranging from two to 30 years. Changes in the estimated useful lives of our property, plant and equipment could have a material effect on our results of operations. The estimates of the assets' useful lives require our judgment regarding assumptions about the useful life of the assets being depreciated. When necessary, the depreciable lives are revised and the impact on depreciation is treated on a prospective basis. There were no material revisions to depreciable lives in fiscal 2017, 2016 or 2015.

Residual value of customer and storage tanks

We use an estimated residual value when calculating depreciation for our customer and bulk storage tanks. Customer and bulk storage tanks are classified as property, plant and equipment on our consolidated balance sheets. The depreciable basis of these tanks is calculated using the original cost less the residual value. Depreciation is calculated



using straight-line method based on the tanks' estimated useful life of 30 years. Changes in the estimated residual value could have a material effect on our results. The estimates of the tanks' residual value require our judgment of the value of the tanks at the end of their useful life or retirement. When necessary, the tanks' residual values are revised and the impact on depreciation is treated on a prospective basis. There were no such revisions to residual values in fiscal 2017, 2016 or 2015.

#### Valuation methods, amortization methods and estimated useful lives of intangible assets

The specific, identifiable intangible assets of a business enterprise depend largely upon the nature of its operations. Potential intangible assets include intellectual property such as trademarks and trade names, customer lists and relationships, and non-compete agreements, permits, favorable lease arrangements as well as other intangible assets. The approach to the valuation of each intangible asset will vary depending upon the nature of the asset, the business in which it is utilized, and the economic returns it is generating or is expected to generate. During fiscal 2017, 2016 or 2015, we did not find it necessary to adjust the valuation methods used for any acquired intangible assets.

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Our recorded intangible assets primarily include the estimated value assigned to certain customer-related and contract-based assets representing the rights we own arising from the acquisition of propane distribution companies, midstream operations companies and related contractual agreements. A customer-related or contract-based intangible with a finite useful life is amortized over its estimated useful life, which is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the entity. We believe that trademarks and trade names have an indefinite useful life due to our intention to utilize all acquired trademarks and trade names. When necessary, the intangible assets' useful lives are revised and the impact on amortization will be reflected on a prospective basis. The determination of the fair market value of the intangible asset and the estimated useful life are based on an analysis of all pertinent factors including (1) the use of widely-accepted valuation approaches, the income approach or the cost approach, (2) the expected use of the asset by the entity, (3) the expected useful life of related assets, (4) any legal, regulatory or contractual provisions, including renewal or extension periods that would not cause substantial costs or modifications to existing agreements, (5) the effects of obsolescence, demand, competition, and other economic factors and (6) the level of maintenance required to obtain the expected future cash flows.

If the underlying assumption(s) governing the amortization of an intangible asset were later determined to have significantly changed (either favorably or unfavorably), then we may be required to adjust the amortization period of such asset to reflect any new estimate of its useful life. Such a change would increase or decrease the annual amortization charge associated with the asset at that time. During fiscal 2017, 2016 or 2015, we did not find it necessary to adjust the valuation method, estimated useful life or amortization period of any of our intangible assets.

Should any of the underlying assumptions indicate that the value of the intangible asset might be impaired, we may be required to reduce the carrying value and subsequent useful life of the asset. Any such write-down of the value and unfavorable change in the useful life (i.e., amortization period) of an intangible asset would increase operating costs and expenses at that time.

We did not recognize any impairment losses related to our intangible assets during fiscal 2017 or 2015. For additional information regarding our intangible assets, see Note B – Summary of significant accounting policies, Note C – Asset impairments, and Note I – Goodwill and intangible assets, net - to our consolidated financial statements.

### Accounting for risk management activities and derivative financial instruments

We enter into commodity forward, futures, swaps and options contracts involving propane, diesel, gasoline and related products to hedge exposures to price risk. These derivative contracts are reported in the consolidated balance sheets at fair value with changes in fair value recognized in cost of sales and operating expenses in the consolidated statements of operations or in other comprehensive income in the consolidated statement of partners' capital. We utilize published settlement prices for exchange-traded contracts, quotes provided by brokers and estimates of market prices based on daily contract activity to estimate the fair value of these contracts. Changes in the methods used to determine the fair value of these contracts could have a material effect on our consolidated balance sheets and consolidated statements of operations. For further discussion of derivative commodity and interest rate contracts, see Item 7A. "Quantitative and Qualitative Disclosures about Market Risk," Note B – Summary of significant accounting policies, Note L – Fair value measurements and Note M – Derivative instruments and hedging activities – to our consolidated financial statements. We do not anticipate future changes in the methods used to determine the fair value of these derivative contracts.

### Stock-based compensation

We utilize a binomial valuation tool to compute an estimated fair value of stock-based awards at each balance sheet date. This valuation tool requires a number of inputs, some of which require an estimate to be made by management. Significant estimates include our computation of volatility, the number of groups of employees, the expected term of awards and the forfeiture rate of awards.

Our stock-based awards plans grant awards out of Ferrell Companies. Ferrell Companies is not a publicly-traded company and management does not believe it can be categorized within any certain industry group. As a result, our volatility computation is highly subjective. If a different volatility factor were used, it could significantly change the fair value assigned to stock-based awards at each balance sheet date.

Management believes we have three groups of employees that participate in our stock-based compensation plans. If a determination were made that we have a different number of groups of employees, that determination could significantly change the expected term and forfeiture rate assigned to our stock and unit-based awards.

Our method for computing the expected term of our stock-based awards utilizes a combination of historical exercise patterns and estimates made by management on grantee exercises patterns. This method could assign a term to our stock-based awards that is significantly different from their actual terms, which could result in a significant difference in the fair value assigned to the awards at each balance sheet date.

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Our method for computing the expected forfeiture rates of our stock-based awards utilizes a combination of historical forfeiture patterns and estimates made by management on forfeiture patterns. If actual forfeiture rates were to differ significantly from our estimates, it could result in significant differences between actual and reported compensation expense for our stock-based awards.

### Litigation accruals and environmental liabilities

We are involved in litigation regarding pending claims and legal actions that arise in the normal course of business and may own sites at which hazardous substances may be present. In accordance with GAAP, we establish reserves for pending claims and legal actions or environmental remediation liabilities when it is probable that a liability exists and the amount or range of amounts can be reasonably estimated. Reasonable estimates involve management judgments based on a broad range of information and prior experience. These judgments are reviewed quarterly as more information is received and the amounts reserved are updated as necessary. Such estimated reserves may differ materially from the actual liability and such reserves may change materially as more information becomes available and estimated reserves are adjusted.

### Goodwill impairment

We record goodwill as the excess of the cost of acquisitions over the fair value of the related net assets at the date of acquisition. Goodwill recorded is not deductible for income tax purposes. We have determined that we have five reporting units for goodwill impairment testing purposes. As of July 31, 2017, two of these reporting units contain goodwill that are subject to at least an annual goodwill impairment test. In the first step of the test, the carrying value of each reporting unit is determined by assigning the assets and liabilities, including existing goodwill and intangible assets, to those reporting units as of the date of evaluation. To the extent a reporting unit's carrying value exceeds its fair value, the reporting unit's goodwill is impaired. The amount of impairment would be equal to the lesser of the excess of reporting unit carrying value over its fair value and the reporting unit's recorded amount of goodwill.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We did not enter into any risk management trading activities during fiscal 2017. 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 our crude oil line fill and inventory. We may use financial and commodity based derivative contracts to manage the risks produced by changes in the price of crude oil or to capture market opportunities.

Our risk management strategy involves taking positions in the financial markets that are equal and opposite to the forecasted crude oil line fill and inventory 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 line fill or inventory are offset by our losses or gains in the financial markets. Our crude oil financial derivatives are not designated as cash flow hedges.

Transportation Fuel Price Risk

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From time to time, 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. When employed, we attempt to mitigate these price risks through the use of financial derivative instruments.

When employed, 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.

### 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 July 31, 2017 and 2016, 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 \$16.8 million and \$12.4 million as of July 31, 2017 and 2016, respectively. The preceding hypothetical analysis is limited because changes in prices may or may not equal 10%, thus actual results may differ. Our sensitivity analysis does not include the anticipated transactions associated with these hedging transactions, which we anticipate will be 100% effective for propane related hedges.

### Credit Risk

We maintain credit policies with regard to our counterparties 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.

As described in Item 7. Management's Discussion & Analysis, as well as elsewhere in this Annual Report on Form 10-K, on September 1, 2016, we entered into a group of agreements with Jamex which, among other things, Jamex agreed to execute and deliver a secured promissory note ("Jamex Secured Promissory Note") in favor of Bridger in satisfaction of all obligations owed to Bridger under the Jamex TLA. The Jamex Secured Promissory Note is guaranteed, pursuant to a Guaranty Agreement, jointly by James Ballengee and Bacchus Capital Trading, LLC, an entity controlled by Mr. Ballengee (up to a maximum aggregate amount of \$20.0 million), and each Note is fully guaranteed, pursuant to respective Guaranty Agreements, by the other Jamex entities. The obligations of Jamex and the other Jamex entities under the Notes are secured, pursuant to a Security Agreement, by a lien on certain of those entities' assets, actively traded marketable securities and cash, which are held in a controlled account that can be seized by Ferrellgas in the event of default. The sum of the amounts available under the controlled account and the \$20.0

million guarantee approximate the \$42.5 million note receivable as of July 31, 2017.

#### Interest Rate Risk

At July 31, 2017, we had \$314.5 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 loss in future earnings of \$2.1 million for fiscal 2018. The preceding hypothetical analysis is limited because changes in interest rates may or may not equal one percent, thus actual results may differ. 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.

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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 increase in interest rates would result in a loss in future earnings of \$1.4 million for fiscal 2017.

As discussed above, the following interest rate swaps are outstanding as of July 31, 2017, and are all designated as hedges for accounting purposes:

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated financial statements and the Independent Registered Public Accounting Firm’s Reports thereon and the Supplementary Financial Information listed on the accompanying Index to Financial Statements and Financial Statement Schedules are hereby incorporated by reference. See Note S – Quarterly data (unaudited) – to Ferrellgas Partners, L.P. and Subsidiaries consolidated financial statements and Note R – Quarterly data (unaudited) – to Ferrellgas L.P. and Subsidiaries consolidated financial statements for Selected Quarterly Financial Data.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

An evaluation was performed by the management of Ferrellgas Partners, 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 as of July 31, 2017.

The management of Ferrellgas Partners, 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 July 31, 2017, that our disclosure controls and procedures are effective in achieving that level of reasonable assurance.

Management’s Report on Internal Control Over Financial Reporting





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The management of Ferrellgas Partners, Ferrellgas Partners Finance Corp., Ferrellgas, L.P. and Ferrellgas Finance Corp. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in 2013 Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of July 31, 2017.

The effectiveness of our internal control over financial reporting for Ferrellgas Partners, as of July 31, 2017, has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report which is included herein.

During the most recent fiscal quarter ended July 31, 2017, there have been no changes in our internal control over financial reporting (as defined in Rule 13a–15(f) or Rule 15d–15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Partners

Ferrellgas Partners, L.P.

We have audited the internal control over financial reporting of Ferrellgas Partners L.P. and subsidiaries (the “Partnership”) as of July 31, 2017, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Partnership’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting (“Management Report”). Our responsibility is to express an opinion on the Partnership’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of July 31, 2017, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Partnership as of and for the year ended July 31, 2017, and our report dated September 28, 2017 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Kansas City, Missouri

September 28, 2017

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## ITEM 9B. OTHER INFORMATION.

Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangement of Certain Officers

On September 25, 2017, Ferrellgas, Inc., reached settlements with both Julio E. Rios, II, a former Executive Vice President of the general partner and President and Chief Executive Officer, Bridger Logistics, LLC, and Jeremy H. Gamboa, a former Executive Vice President of the general partner and Chief Operating Officer, Bridger Logistics, LLC.

Ferrellgas, Inc. is the general partner of Ferrellgas Partners, L.P. and Ferrellgas, L.P. and Bridger Logistics, LLC is a subsidiary of the Partnership

Pursuant to an agreement and release (the “Rios Release”) dated September 25, 2017 between Mr. Rios and Ferrellgas, Inc., Mr. Rios will receive \$0.7 million.

Pursuant to an agreement and release (the “Gamboa Release”) dated September 25, 2017 between Mr. Gamboa and Ferrellgas, Inc., Mr. Gamboa will receive \$0.6 million.

The descriptions of both the Rios Release and the Gamboa Release are qualified in their entirety by reference to the full text of the agreements, copies of which are attached as Exhibits to this Current Report on Form 10-K.

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Directors and Executive Officers of our General Partner

The following table sets forth certain information with respect to the directors and executive officers of our general partner as of September 26, 2017. Officers are appointed to their respective office or offices either annually or as needed. Directors are appointed to their respective office or offices annually.

Name	Age	Director Since	Executive Officer Since	Position
James E. Ferrell	77	1984	2016	Interim Chief Executive Officer and President; Chairman of the Board of Directors
Alan C. Heitmann	59	N/A	2015	Executive Vice President and Chief Financial Officer; Treasurer
Trenton D. Hampton	57	N/A	2017	Senior Vice President of Legal and Risk Management
Randy V. Schott	54	N/A	2017	Senior Vice President of Retail Operations
Daniel E. Giannini	37	N/A	2017	President, Bridger Logistics, LLC
Pamela A. Breuckmann	41	2013	N/A	Director

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A. Andrew Levison	61	1994	N/A	Director
John R. Lowden	60	2003	N/A	Director
Michael F. Morrissey	75	1999	N/A	Director
David L. Starling	67	2014	N/A	Director
Stephen M. Clifford	57	2015	N/A	Director

James E. Ferrell – On September 27, 2016, Mr. Ferrell was appointed Interim Chief Executive Officer and President by the Board of Directors of Ferrellgas, Inc. Mr. Ferrell has been with Ferrell Companies or its predecessors and its affiliates in various executive capacities since 1965, including Chairman of the Board of Directors of Ferrellgas, Inc. Under his leadership, Ferrellgas has grown from a small, independently owned propane company to one of the nation’s largest propane retailers. Mr. Ferrell is a past President of the World LP Gas Association and a former Chairman of the Propane Vehicle Council. Mr. Ferrell brings to the Company significant experience in propane and midstream operations and valuable knowledge of the company's operating history.

Alan C. Heitmann - Mr. Heitmann joined our general partner in 1995 as Assistant Controller. In 2001 he was promoted to Retail Controller then transitioned to Corporate Controller in 2005. In 2006 he was promoted to Vice President and Corporate Controller. In 2008 he transitioned to the Vice President Accounting and Finance position. In 2013, he became Senior Vice President Finance and Investor Relations. In January 2015 he was promoted and took his current role of Executive Vice

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President and Chief Financial Officer. Mr. Heitmann obtained his Bachelor of Science degree in Accounting from Rockhurst University.

Trenton D. Hampton - Mr. Hampton joined our general partner in 2001 as Corporate Counsel. He was promoted to Director of the Legal Department in 2006, and Vice President of Legal and Risk Management as well as Corporate Secretary in 2008. In 2013 he was promoted to Senior Vice President of Legal and Risk Management. Mr. Hampton joined the Executive Committee in January of 2017. In addition to the Legal and Risk Management Departments, Mr. Hampton is responsible for several administrative departments, including Safety, Human Resources, Information Technology, Acquisitions, Procurement & Asset Management, and Real Estate. Mr. Hampton obtained his Bachelor of Business Administration degree in Accounting from Northwest Missouri State University and his Juris Doctorate from Creighton University.

Randy V. Schott - With more than 27 years of tenure, Mr. Schott has served in a number of capacities at Ferrellgas after joining the company as a Market Manager in 1991. His long run as the leader of Ferrellgas' quickly growing West Division positioned him well to take the helm of the company's nationwide retail operations in 2015. Mr. Schott lives in Camas, WA and holds a B.S. from the University of Oregon.

Daniel E. Giannini - Mr. Giannini joined Bridger in 2012 as Vice President of Crude Oil Marketing. In 2014 he was promoted to Senior Vice President and Chief Marketing Officer and in 2016 he was promoted to President. He was previously Director of Crude Oil Marketing with Concord Energy, LLC and managed crude oil acquisitions for Enserco Energy Inc. Prior to his career in crude oil marketing, Mr. Giannini held various positions in trading and logistics, including crude oil scheduler, risk and financial analyst and operations manager. Mr. Giannini has a Bachelor's degree in business administration and a Masters of Business Administration both from California State University in Hayward, California.

Pamela A. Breuckmann - Ms. Breuckmann was elected to the Board of Directors in 2013. Since 2011, Ms. Breuckmann has served as the President and since January 2015, Chief Executive Officer of Ferrell Capital, Inc., a company established in 1998 to manage the financial, business and personal affairs of the Ferrell family. Prior to becoming President of Ferrell Capital, she served as the Chief Financial Officer of the organization from 2007 to 2011. In addition to her role at Ferrell Capital, she is the President and Chief Operating Officer of Samson Capital Management, LLC. This SEC registered investment advisory business specializes in managing Master Limited Partnership securities for investors. The blend of Ms. Breuckmann's investment experience, accounting background and finance roles give her a unique perspective that serves the Board of Directors well. She began her career in 1998 as an auditor at Deloitte & Touche, LLP. We consider Ms. Breuckmann to be a financial expert. Ms. Breuckmann graduated from the University of Kansas with Bachelor of Science degrees in Business Administration and Accounting. She also holds a Master of Accounting and Information Systems degree from the University of Kansas and has been a Certified Public Accountant since 2000.

A. Andrew Levison – Mr. Levison has served on the Board of Directors since 1994 and is a member of the Board's Compensation Committee and the Board's Corporate Governance and Nominating Committee. For the past five years Mr. Levison has served as the Managing Partner of Southfield Capital Advisors, LLC, a Greenwich, Connecticut-based, private merchant banking firm and serves on the Boards of Directors of Presidio Partners, LLC, and the Levison/Present Foundation at Mount Sinai Hospital in New York City. Mr. Levison obtained his Bachelor of Science degree in Finance from Babson College.

Mr. Levison founded Levison & Co., the predecessor of Southfield Capital Advisors, LLC, in 2002. Prior to that, Mr. Levison was the Head of Leveraged Finance at Donaldson, Lufkin & Jenrette ("DLJ"), where he oversaw banking and origination activities for all of DLJ's investment banking products for leveraged companies. In particular, Mr. Levison focused on high yield securities, leveraged bank loans, bridge loans and mezzanine/equity investments. Under Mr.

Levison's leadership, DLJ became the number one ranked firm for high yield underwriting throughout the 1990's. While at DLJ, Mr. Levison also served as Co-Chairman of the Credit Committee and as a member of the Management Committee of the Investment Banking Division and the Banking Review Committee. Prior to joining DLJ, Mr. Levison was a Managing Director of the Leveraged Buyout Group at Drexel Burnham Lambert and a Vice-President of the Special Finance Group at Manufacturers Hanover Trust.

While serving on the Board of Directors of our general partner, Mr. Levison's firm DLJ acted as an underwriter with regard to the initial public offering in 1994 which coincided with the formation of our master limited partnership. Mr. Levison brings to the Board significant experience in capital markets, corporate finance and investment banking. We consider Mr. Levison to be a financial expert.

John R. Lowden – Mr. Lowden was appointed to the Board of Directors in 2003 and chairs the Board's Compensation Committee and serves on the Board's Audit Committee and the Board's Corporate Governance and Nominating Committee. Since 2001, Mr. Lowden has served as the President of NewCastle Partners, LLC, a Greenwich, Connecticut-based private investment firm. Mr. Lowden also serves as Chairman and CEO of World Dryer Corporation, Metpar Industries, Inc. and JN Industries, LLC and serves on the Board of Trustees of Wake Forest University. Mr. Lowden obtained his Master's degree in Business Administration and his Bachelor of Science degree in Business from Wake Forest University.

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Mr. Lowden was a founding partner of NewCastle Partners, LLC, a private investment firm, in 2001. Prior to that, Mr. Lowden had served as a partner of The Jordan Company, a New York City-based private equity firm. Mr. Lowden was also an investment banker with Ferris & Company in Washington, D.C. During his 30 years in private equity, Mr. Lowden has been a principal investor and participated in the acquisitions of over 40 manufacturing, retail and distribution businesses.

Mr. Lowden brings to the Board significant experience in capital markets, corporate finance and investment banking. We consider Mr. Lowden to be a financial expert.

Michael F. Morrissey – Mr. Morrissey has served on the Board of Directors since 1999 and chairs the Board’s Audit Committee and serves on the Board’s Corporate Governance and Nominating Committee. Mr. Morrissey has been selected as the presiding director for non-management executive sessions of the Board. Mr. Morrissey retired as the Managing Partner of Ernst & Young’s Kansas City, Missouri office in 1999. For the past six years Mr. Morrissey has served as a board member on the boards of directors of various companies, and currently serves on the Board of Directors and its Compensation Committee and as Audit Committee Chairman of Waddell & Reed Financial, Inc. (since 2010), and the boards of several private companies and not-for-profit organizations.

Mr. Morrissey served as a partner of Ernst & Young for seventeen years. Prior to that, Mr. Morrissey worked for twelve years for two major accounting firms, one of which was Ernst & Young (for seven years). Mr. Morrissey has been a Certified Public Accountant since 1972. Mr. Morrissey brings to the Board substantial experience as the Chairman of the audit committees of public companies, many years of experience as an audit partner of a major accounting firm and extensive experience as a director of other large private and public companies. We consider Mr. Morrissey to be a financial expert. Mr. Morrissey has a high level of understanding of the Board’s role and responsibilities based on his service on other company boards. Mr. Morrissey obtained his Bachelor of Business Administration degree in Accounting from the University of Notre Dame and obtained his Master of Business Administration degree in Finance from Temple University.

David L. Starling - Mr. Starling was elected to the Board of Directors in 2014 and serves on the Board’s Compensation Committee and the Board’s Corporate Governance and Nominating Committee. Mr. Starling served as President and Chief Executive Officer of Kansas City Southern (KCS) from August 2010 through June 2016. From June 2016 to present, Mr. Starling has served as Senior Advisor to KCS’ CEO. Mr. Starling has been a director of KCS since May, 2010. He served as President and Chief Operating Officer of KCS from July 2008 through August 2010. Mr. Starling has also served as a Director, President and Chief Executive Officer of The Kansas City Southern Railway Company since July 2008. He has also served as Vice Chairman of the Board of Directors of Kansas City Southern de Mexico since September 2009. Mr. Starling has served as Vice Chairman of the Board of Directors of Panama Canal Railway Company and Panarail since July 2008. Prior to joining KCS, Mr. Starling served as President and Director General of Panama Canal Railway Company from 1999 through June 2008. Mr. Starling brings to the board substantial expertise in the North American rail industry and in intermodal and global shipping logistics. His experience in Latin America, North America and Asia has helped to expand KCS’ marketing and growth opportunities and his 30 years of operating experience helped navigate the company through the economic downturn and established long-term, sustainable operating efficiencies.

Stephen M. Clifford - Mr. Clifford joined the Board of Directors in 2015 and is the chairman of the Corporate Governance and Nominating Committee and a member the Audit Committee. Mr. Clifford retired from Ernst & Young in July 2015 after having served as the Managing Partner of Ernst & Young’s Kansas City, Missouri office from 1999 until his retirement. His career at Ernst & Young spanned a total of 32 years, including 18 years as an assurance partner and 30 years as a Certified Public Accountant. During his tenure as the Managing Partner of the Kansas City office, Mr. Clifford was also a member of the executive committee for Ernst & Young’s Midwest Area,



which was responsible for nearly 4,000 professionals across the Midwest. In addition to his role as the Managing Partner, Mr. Clifford served as the coordinating partner responsible for external audit engagements, including audits of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, as well as internal audit and advisory engagements for numerous companies in the Fortune 1000, as well as numerous large and high growth private companies during his career. Mr. Clifford is the past Chairman of the Board for the Leukemia and Lymphoma Society and now a member of its Board of Directors, a member of the Board of Directors and Chair of the audit committee for the Archdiocese of Northeast Kansas, and the Chair of the Board of Directors and member of the Executive Committee for Cristo Rey High School of Kansas City. Mr. Clifford brings to the Board many years of experience as a leader and assurance partner of a major accounting firm and extensive experience in developing and executing growth strategies, acquisitions, and capital transactions. We consider Mr. Clifford to be a financial expert. Mr. Clifford obtained his Bachelor of Science and Business Administration, Finance & Accounting degree from Texas Christian University.

#### Corporate Governance

The limited partnership agreements of Ferrellgas Partners and the operating partnership provide for each partnership to be governed by a general partner rather than a board of directors. Through these partnership agreements, Ferrellgas, Inc. acts as the

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general partner of both Ferrellgas Partners and the operating partnership and thereby manages and operates the activities of Ferrellgas Partners and the operating partnership. Ferrellgas, Inc. anticipates that its activities will be limited to the management and operation of the partnerships. Neither Ferrellgas Partners nor the operating partnership directly employs any of the persons responsible for the management or operations of the partnerships, rather, these individuals are employed by the general partner.

The Board of Directors of our general partner has adopted a set of Corporate Governance Guidelines for the Board and charters for its Audit Committee, Corporate Governance and Nominating Committee and Compensation Committee. A current copy of these Corporate Governance Guidelines and charters, each of which were adopted and approved by the entire Board, are available, free of charge, to our security holders and other interested parties on our website at [www.ferrellgas.com](http://www.ferrellgas.com) (under the caption “Our Company” within “Investor Information”) and are also available in print to any unitholder or other interested parties who request it. Requests for print copies should be directed to:

Ferrellgas, Inc.  
Attention: Investor Relations  
7500 College Boulevard, Suite 1000  
Overland Park, Kansas 66210  
913-661-1533  
[investors@ferrellgas.com](mailto:investors@ferrellgas.com).

Please note that the information and materials found on our website, except for SEC filings expressly incorporated by reference into this report herein, are not part of this report and are not incorporated by reference into this report.

The Board has affirmatively determined that Mr. Levison, Mr. Lowden, Mr. Morrissey, Mr. Starling, and Mr. Clifford, who constitute a majority of its Directors, are “independent” as described by the New York Stock Exchange’s (“NYSE”) corporate governance rules. In conjunction with regular Board meetings, these non-management directors also meet in a regularly scheduled executive session without members of management present. A non-management director presides over each executive session of non-management directors. Mr. Morrissey has been selected as the presiding director for non-management executive sessions. If Mr. Morrissey is not present then the other non-management directors shall select the presiding director. Additional executive sessions may be scheduled by a majority of the non-management directors in consultation with the presiding director and the Chairman of the Board.

Audit Committee

The Board has a designated Audit Committee established in accordance with the Exchange Act comprised of Messrs. Morrissey, Clifford and Lowden. Mr. Morrissey is the Chairman of the Audit Committee. Mr. Morrissey and Mr. Clifford each have been determined by the board to be an “audit committee financial expert.” The Audit Committee charter, as well as the rules of the NYSE and the SEC, requires that members of the Audit Committee satisfy “independence” requirements as set out by the NYSE and the SEC. The Board has determined that all of the members of the Audit Committee are “independent” as described under the relevant standards.

The Audit Committee charter requires the Audit Committee to pre-approve all engagements with any independent registered public accounting firm, including all engagements regarding the audit of the financial statements of each of Ferrellgas Partners, Ferrellgas Partners Finance Corp., Ferrellgas, L.P., Ferrellgas Finance Corp. and all permissible non-audit engagements with the independent registered public accounting firm. Additionally, the Audit Committee oversees the internal audit function for each of Ferrellgas Partners, Ferrellgas Partners Finance Corp., Ferrellgas, L.P., Ferrellgas Finance Corp., and such other duties as directed by the Board. The Audit Committee charter is available on the company's website.

#### Limitation on Directors Participating on Audit Committees

The Board has adopted a policy limiting the number of public-company audit committees its directors may serve on to three at any point in time. If a director desires to serve on more than three public-company audit committees, he or she must first obtain the written permission of the Board.

#### Corporate Governance and Nominating Committee

The Board has a designated Corporate Governance and Nominating Committee, comprised of Messrs. Lowden, Clifford, Starling, Levison and Morrissey. Mr. Clifford is the Chairman of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee charter requires that members of the Corporate Governance and Nominating Committee satisfy particular “independence” requirements. The Board has determined that all of the members of the Corporate Governance and Nominating Committee are “independent” as described under relevant standards. The Corporate Governance and Nominating Committee charter is available on the company's website.

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Compensation Committee

The Board has a designated Compensation Committee, comprised of Messrs. Lowden, Levison and Starling. Mr. Lowden is the Chairman of the Compensation Committee. The Compensation Committee charter requires that members of the Compensation Committee satisfy particular “independence” requirements. The Board has determined that all of the members of the Compensation Committee are “independent” as described under relevant standards. The Compensation Committee has the authority to assist the Board of Directors in fulfilling its responsibility to effectively compensate the senior management of the general partner in a manner consistent with the growth strategy of the general partner. Toward that end, the Compensation Committee oversees the review process of all compensation, equity and benefit plans of Ferrellgas. In discharging this oversight role, the Compensation Committee has full power to consult with, retain and compensate independent legal, financial and/or other advisers as it deems necessary or appropriate. The Compensation Committee charter is available on the company's website.

Disclosure about our Security Holders’ and Interested Parties’ Ability to Communicate with the Board of Directors of our General Partner

The Board of Directors of our general partner has a process by which security holders and interested parties can communicate with it. Security holders and interested parties can send communications to the Board, the presiding director or the independent directors as a group by contacting our Investor Relations department by mail, telephone or e-mail at:

Ferrellgas, Inc.  
Attention: Investor Relations  
7500 College Boulevard, Suite 1000  
Overland Park, Kansas 66210  
913-661-1533  
investors@ferrellgas.com.

Any communications directed to the Board of Directors from employees or others that concern complaints regarding accounting, internal controls or auditing matters will be handled in accordance with procedures adopted by the Audit Committee. All other communications directed to the Board of Directors are initially reviewed by the Investor Relations Department. The Chairman of the Corporate Governance and Nominating Committee is advised promptly of any such communication that alleges misconduct on the part of management or raises legal, ethical or compliance concerns about the policies or practices of the general partner. On a periodic basis, the Chairman of the Corporate Governance and Nominating Committee receives updates on other communications that raise issues related to the affairs of the Partnership but do not fall into the two prior categories. The Chairman of the Corporate Governance and Nominating Committee determines which of these communications require further review. The Corporate Secretary maintains a log of all such communications that is available for review for one year upon request of any member of the Board. Typically, the general partner does not forward to the Board of Directors communications from unitholders or other parties which are of a personal nature or are not related to the duties and responsibilities of the Board, including junk mail, customer complaints, job inquiries, surveys and polls, and business solicitations.

Code of Ethics for Principal Executive and Financial Officers and Code of Business Conduct and Ethics

The Board has adopted a Code of Ethics for our general partner’s principal executive officer, principal financial officer, principal accounting officer or those persons performing similar functions. Additionally, the Board has adopted a general Code of Business Conduct and Ethics for all of our general partner’s directors, officers and employees. These codes, which were adopted and approved by the entire Board, are available to our security holders

and other interested parties at no charge on our website at [www.ferrellgas.com](http://www.ferrellgas.com) (under the caption “Our Company” within “Investor Information”) and are also available in print to any security holder or other interested parties who requests it. Requests for print copies should be directed to:

Ferrellgas, Inc.  
Attention: Investor Relations  
7500 College Boulevard, Suite 1000  
Overland Park, Kansas 66210  
913-661-1533  
[investors@ferrellgas.com](mailto:investors@ferrellgas.com).

Please note that the information and materials found on our website, except for SEC filings expressly incorporated by reference into this report herein, are not part of this report and are not incorporated by reference into this report.

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We intend to disclose, within four business days, any amendment to the code of business conduct and the Code of Ethics on our website. Any waivers from the Code of Ethics will also be disclosed on our website.

### Compensation of our General Partner

Our general partner receives no management fee or similar compensation in connection with its management of our business and receives no remuneration other than:

distributions on its combined approximate 2% general partner interest in Ferrellgas Partners and the operating partnership; and

reimbursement for:

all direct and indirect costs and expenses incurred on our behalf;

- all selling, general and administrative expenses incurred by our general partner on our behalf; and

all other expenses necessary or appropriate to the conduct of our business and allocable to us.

The selling, general and administrative expenses reimbursed include specific employee benefits and incentive plans for the benefit of the executive officers and employees of our general partner.

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our general partner's officers and directors, and persons who beneficially own more than 10% of our common units, to file reports of beneficial ownership and changes in beneficial ownership of our common units with the SEC. These persons are also required by the rules and regulations promulgated by the SEC to furnish our general partner with copies of all Section 16(a) forms filed by them. These forms include Forms 3, 4 and 5 and any amendments thereto.

To our knowledge, based solely on its review of the copies of such Section 16(a) forms received by our general partner and, to the extent applicable, written representations from certain reporting persons that no Annual Statement of Beneficial Ownership of Securities on Form 5 were required to be filed by those persons, our general partner believes that during fiscal 2017 all Section 16(a) filing requirements applicable to the officers, directors of our general partner and beneficial owners of more than 10% of our common units were met in a timely manner.

## ITEM 11. EXECUTIVE COMPENSATION.

### Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised of Messrs. Lowden, Levison and Starling. None of the members were officers or employees of the general partner or any of its subsidiaries prior to or during fiscal 2017. None of the members has any relationship required to be disclosed under this caption under the rules of the SEC.

### Risks Related to Compensation Policies and Practices

Management conducted a risk assessment of our compensation policies and practices for fiscal 2017. Based on its evaluation, management does not believe that any such policies or practices create risks that are reasonably likely to have a material adverse effect on Ferrellgas Partners.

### Compensation Discussion and Analysis

Compensation Committee Report

As of September 26, 2017, the Compensation Committee has reviewed and discussed the following Compensation Discussion and Analysis with management. Based on its review and discussion with management, the compensation committee has determined that this Compensation Discussion and Analysis should be included in this report.

Submitted by:

John R. Lowden

A. Andrew Levison

David L. Starling

Overview of Executive Officer Compensation

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Throughout this section, each person who served as the Principal Executive Officer (“PEO”) during fiscal 2017, each person who served as the Principal Financial Officer (“PFO”) during fiscal 2017, the three most highly compensated executive officers other than the PEO and PFO serving at July 31, 2017 and up to two additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer at July 31, 2017 are referred to as the Named Executive Officers (“NEOs”). We do not directly employ our NEOs. Rather, we are managed by our general partner who serves as the employer of our NEOs. We reimburse our general partner for all NEO compensation.

### Named Executive Officers

James E. Ferrell, Interim Chief Executive Officer and President; Chairman of the Board of Directors

Stephen L. Wambold, Former Chief Executive Officer and President (1)

Alan C. Heitmann, Executive Vice President and Chief Financial Officer, Treasurer

Thomas M. Van Buren, Executive Vice President, Ferrell North America and Midstream Operations (2)

Daniel E. Giannini, President Bridger Logistics, LLC

Randy V. Schott, Senior Vice President of Retail Operations

Tod D. Brown, Former Executive Vice President, Ferrellgas, and Chief Executive Officer, Blue Rhino (3)

(1) On September 27, 2016, Mr. Wambold resigned as Chief Executive Officer, President and Director of Ferrellgas, Inc.

(2) On September 12, 2017, Mr. Van Buren resigned as Executive Vice President, Ferrell North America and Midstream Operations.

(3) On January 13, 2017, Mr. Brown resigned as Executive Vice President, Ferrellgas, and Chief Executive Officer, Blue Rhino.

### Compensation Objectives

We believe an effective executive compensation package should link total compensation to overall financial performance and to the achievement of both short and long term strategic, operational and financial goals. The elements of our compensation program are intended to provide a total reward package to our NEOs that (i) provides competitive compensation opportunities, (ii) recognizes and rewards individual contribution, (iii) attracts, motivates and retains highly-talented executives, and (iv) aligns executive performance toward the creation of sustained unitholder value rather than the achievement of short-term goals that might be inconsistent with the creation of long-term unitholder value.

### Role of Management, Compensation Consultant and Compensation Peer Group

Our Chief Executive Officer, with the assistance of Trenton D. Hampton, Senior Vice President, Legal and Risk, formulates preliminary compensation recommendations for all NEOs, including themselves. These recommendations are subject to review and approval by the Compensation Committee. To assist our Chief Executive Officer and the Compensation Committee, Trenton D. Hampton utilized market compensation survey data provided in a prior year by the consulting firm Mercer Human Resources Consulting (“Mercer”), which is used to create salary range benchmarks for each NEO's compensation. Mercer was engaged by the Compensation Committee, provided no significant other services for us and there were no conflicts of interest presented by the work performed. The compensation survey data provided by Mercer included data from the 13 peer group companies identified below.

We use a peer group of companies in setting compensation levels, determining awards under our equity compensation plan and setting director compensation levels. The companies included in this peer group are determined (with the assistance of Mercer) based on the following factors:



- companies in our industry or related industries (oil and gas, gas utilities, master limited partnerships);
- companies identified as our peer group of competitors;
- companies with similar total sales;
- companies with similar net income; and
- companies with similar market value.

For purposes of setting compensation for our fiscal year ended July 31, 2017, the companies included in our compensation peer group were as follows:

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Targa Resources Partners, L.P.  
 Suburban Propane Partners, L.P.  
 Enbridge Energy Partners, L.P.  
 Spire Inc.  
 Genesis Energy, L.P.  
 WGL Holdings Inc.  
 UGI Corp.  
 Star Gas Partners, L.P.  
 Atmos Energy Corp., L.P.  
 New Jersey Resources Corp.  
 • Amerigas Partners,  
   L.P.  
 Alliance Resource Partners, L.P.  
 Copano Energy LLC

Components of Named Executive Officer Compensation

During fiscal 2017, elements of compensation for our NEOs consisted of the following:

base salary;  
 non-equity incentive plan;  
 discretionary bonus;  
 equity-based and incentive compensation plan;  
 employee stock ownership plan ("ESOP");  
 deferred compensation plans; and  
 employment and change-in-control agreements.

Base Salary

Our Chief Executive Officer, with the assistance of Trenton D. Hampton, formulates preliminary base salary recommendations for all NEOs, including himself. These recommendations are subject to review and approval by the Compensation Committee. To assist our Chief Executive Officer and the Compensation Committee, Trenton D. Hampton utilizes compensation survey data provided by Mercer to provide market data that is used to create benchmarks for each NEO's base salary. These benchmarks refer to the high and low end of the ranges provided by Mercer, rather than a specific point within the range. The following table identifies the low and high ends of the range included in the Mercer base salary market data:

	Low Point	High Point
Chief Executive Officer	\$431,000	\$736,000
Chief Operating Officer	362,000	512,000
Chief Financial Officer	287,000	369,000
Top Division Executive	303,000	363,000

Additionally, other factors such as performance and other executive responsibilities are taken into consideration when determining the base salaries of our NEOs.

The amount of salary paid to each NEO during fiscal year 2017 is displayed in the "Salary" column of the Summary Compensation Table.



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	2017
Named Executive Officer	Annual Base Salary
James E. Ferrell	\$ —
Stephen L. Wambold (1)	700,000
Alan C. Heitmann	400,125
Thomas M. Van Buren (2)	335,000
Daniel E. Giannini	500,000
Randy V. Schott	375,000
Tod D. Brown (3)	425,200

(1) On September 27, 2016, Mr. Wambold resigned as Chief Executive Officer, President and Director of Ferrellgas, Inc.

(2) On September 12, 2017, Mr. Van Buren resigned as Executive Vice President, Ferrell North America and Midstream Operations.

(3) On January 13, 2017, Mr. Brown resigned as Executive Vice President, Ferrellgas, and Chief Executive Officer, Blue Rhino.

## Non-Equity Incentive Plan

The Board of Directors has approved each NEO's participation in the general partner's Corporate Incentive Plan ("CIP"). The purpose of this plan is to provide an incentive for NEOs to meet or exceed annual profitability targets that are consistent with the company's overall long term strategy to increase unitholder value. Our Board of Directors utilizes data from our compensation peer group to assist in assigning an appropriate incentive target for each NEO.

This plan awards a cash payment to the NEO if incentive distributable cash flow ("incentive DCF") targets are achieved for the fiscal year. Incentive DCF has been selected in order to align performance measures for NEOs with how our investors evaluate our performance. Each NEO's incentive target is computed as a percentage of his annual base salary rate. For fiscal 2017 the target percentage for each NEO was as follows:

Named Executive Officer	% of Salary Incentive Target
James E. Ferrell	— %
Stephen L. Wambold (1)	100 %
Alan C. Heitmann	100 %
Thomas M. Van Buren (2)	100 %
Daniel E. Giannini	100 %
Randy V. Schott	100 %
Tod D. Brown (3)	100 %

(1) On September 27, 2016, Mr. Wambold resigned as Chief Executive Officer, President and Director of Ferrellgas, Inc.

(2) On September 12, 2017, Mr. Van Buren resigned as Executive Vice President, Ferrell North America and Midstream Operations.

(3) On January 13, 2017, Mr. Brown resigned as Executive Vice President, Ferrellgas, and Chief Executive Officer, Blue Rhino.

Awards under the plan are based on a calculation of incentive DCF as reconciled to "Net income attributable to Ferrellgas Partners, L.P." below. Total company actual incentive DCF as a percentage of total company target incentive DCF will result in incentive target potential payouts as provided in the table below. No payout is made if actual incentive DCF is less than 100% of targeted incentive DCF.

Percent of Planned Incentive DCF Achieved	Incentive Target Potential
100%	100%
105%	125%
110% and above	150%

For fiscal 2017, the percent of targeted total company incentive DCF achieved was less than 100%. Accordingly there were no payouts under the CIP for NEOs. For Incentive Plan purposes, total company actual incentive DCF was computed as follows:

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	(in thousands)
Net loss attributable to Ferrellgas Partners, L.P.	\$(54,207 )
Add (subtract):	
Income tax benefit	(1,143 )
Interest expense	152,485
Depreciation and amortization expense	103,351
Non-cash employee stock ownership plan compensation charge	15,088
Non-cash stock-based compensation charge	3,298
Loss on asset sales and disposals	14,457
Other income, net	(1,474 )
Severance costs	1,959
Unrealized (non-cash) gains on changes in fair value of derivatives	(3,457 )
Net loss attributable to noncontrolling interest	(294 )
Maintenance capital expenditures	(16,935 )
Incentive DCF	\$213,128

## Discretionary Bonus

Our Chief Executive Officer has the authority to recommend for Compensation Committee review and approval, discretionary cash bonuses to any NEO, including himself. These awards are designed to reward performance by a NEO that our Chief Executive Officer believes exceeded expectations in operational or strategic objectives during the last fiscal year. There were no discretionary bonuses paid to any NEO in respect of fiscal 2017.

## Equity-based and Incentive Compensation Plan

We have an equity-based incentive plan available for participation by our NEOs, the “Ferrell Companies Incentive Compensation Plan” (“ICP”). The amount of compensation cost related to the ICP plan incurred for each NEO during fiscal 2017 is displayed in the “Option Awards” column of the Summary Compensation Table.

The ICP is an equity-based incentive plan available for participation by our NEOs.

The ICP was established by Ferrell Companies to allow upper-middle and senior level managers, including NEOs, and directors of our general partner to participate in the equity growth of Ferrell Companies. Pursuant to this ICP, eligible participants may be granted stock options to purchase shares of common stock of Ferrell Companies, stock appreciation rights (“SARs”), performance shares or other incentives payable in cash or in stock. Neither Ferrellgas Partners nor the operating partnership contributes, directly or indirectly, to the ICP. Options granted under the ICP vest ratably over periods ranging from zero to 12 years or 100% upon a change of control of Ferrell Companies, or upon the death, disability or retirement at the age of 65 of the participant. Awards generally expire ten years from the date of issuance.

Options or SARs are granted under the ICP periodically throughout the year at strike prices equal to the most recently published semi-annual valuation by an independent third party valuation firm that is performed on Ferrell Companies, which is a privately held company, for the purposes of the Employee Stock Ownership Plan. All other terms of these awards granted to the NEOs, including the quantity awarded, vesting life and expiration date of awards are discretionary and must be approved by the ICP Option Committee, which includes our Chief Executive Officer and Trenton D. Hampton. Awards granted to NEOs must also be approved by the Compensation Committee. To assist the ICP Option Committee and the Compensation Committee in determining the quantity of awards to grant to a NEO, Trenton D. Hampton utilizes data from our compensation peer group to create recommended ranges of fiscal 2017

ICP award grants by executive position. No stock option awards, SARs, performance shares or other incentives payable in cash or in stock were granted under the ICP to NEOs in fiscal 2017.

Employee Stock Ownership Plan (“ESOP”)

On July 17, 1998, pursuant to the Ferrell Companies, Inc. Employee Stock Ownership Plan ("ESOP"), an employee stock ownership trust purchased all of the outstanding common stock of Ferrell Companies. The purpose of the ESOP is to provide all employees of our general partner, including NEOs, an opportunity for ownership in Ferrell Companies, and indirectly, in us. Ferrell Companies makes contributions to the ESOP, which allows a portion of the shares of Ferrell Companies owned by the ESOP to be allocated to employees' accounts over time. The value of the shares allocated to each NEO for compensation related to fiscal 2017 is included in the “All Other Compensation” column of the Summary Compensation Table.

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Twice per year and in accordance with the ESOP, each NEO's ESOP account receives an allocation of Ferrell Companies shares. This allocation, as determined by the ESOP, is based on the following: a) the relative percentage of the NEO's base salary, discretionary bonus, and corporate incentive plan payment made during the period to all eligible employee compensation, subject to certain limitations under Section 415 of the Internal Revenue Code, and b) shares owned from previous allocations. NEOs vest in their account balances as follows:

Number of Completed Years of Service	Vested Percent
Less than 3 years	—%
3 years	20%
4 years	40%
5 years	60%
6 years	80%
7 years or more	100%

NEOs are entitled to receive a distribution for the vested portion of their accounts at specified times in accordance with the ESOP for normal or late retirement, disability, death, resignation, or dismissal.

#### Deferred Compensation Plans

Two deferred compensation plans are available for participation by our NEOs, the "Defined Contribution Profit Sharing Plan," a tax-qualified retirement plan, and the "Supplemental Savings Plan," a nonqualified deferred compensation plan. The amount of company match related to these plans credited to each NEO's account during fiscal 2017 is included in the "All Other Compensation" column of the Summary Compensation Table.

Defined Contribution Profit Sharing Plan ("401(k) Plan") – The Ferrell Companies, Inc. Profit Sharing and 401(k) Investment Plan is a qualified defined contribution plan, which includes both employee contributions and employer matching contributions. All employees including NEOs, that are not part of a collective bargaining agreement, or any of its direct or indirect wholly-owned subsidiaries are eligible to participate in this plan. This plan has a 401(k) feature allowing all eligible employees to specify a portion of their pre-tax and/or after-tax compensation to be contributed to this plan. This plan provides for matching contributions under a cash or deferred arrangement based upon participant salaries and employee contributions to this plan.

Our contributions to the profit sharing portion of this plan are discretionary and no profit sharing contributions were made to this plan for fiscal 2017. However, this plan also provides for matching contributions under a cash or deferred arrangement based upon the participant salary and employee contributions to this plan. Due to Internal Revenue Code "Highly Compensated Employee" rules and regulations, NEOs may only contribute up to approximately 6% of their eligible compensation to this plan. We will provide a 50% matching contribution of the first 8% of all eligible contributions made to this plan and the Supplemental Savings Plan (see below) combined. Employee contributions are 100% vested, while the company's matching contribution vests ratably over the first five years of employment. Employee and our matching contributions can be directed, at the employee's option, to be invested in a number of investment options that are offered by this plan.

Supplemental Savings Plan ("SSP") – The Ferrell Companies, Inc. Supplemental Savings Plan was established October 1, 1994 in order to provide certain management or highly compensated employees with supplemental retirement income which is approximately equal in amount to the retirement income that such employees would have received under the terms of the 401(k) feature of the 401(k) Plan (see above) based on such members' deferral elections thereunder, but which could not be provided under the 401(k) feature of the 401(k) Plan due to the application of certain "Highly Compensated Employee" IRS rules and regulations.



This non-qualified plan is available to all employees who have been designated as “Highly Compensated” as defined in the Internal Revenue Code. NEOs are allowed to make, subject to Internal Revenue Code limitations, pre-tax contributions to the SSP of up to 25% of their eligible compensation. We provide a 50% matching contribution of the first 8% of all eligible contributions made to this plan and the 401(k) Plan (see above) combined. Employee contributions are 100% vested, while our matching contribution vests ratably over the first 5 years of employment. Employee and our matching contributions can be directed, at the employee’s option, to be invested in a number of investment options that are identical to the investment options offered under the 401(k) Plan.

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## Employment and Change-in-Control Agreements

The independent members of the Board of Directors of our general partner have authorized the general partner to enter into Employment Agreements with certain of our NEOs. The purpose for entering into these agreements is to (i) encourage and motivate NEOs to remain employed and focused on the business during a potential change in control, (ii) motivate NEOs to make business decisions that are in the best interest of the company, (iii) ensure that NEOs conduct appropriate due diligence and effectively integrate companies in the event of an acquisition, and (iv) secure the long-term employment of the NEO. The initial term of Mr. Heitmann's agreement ends on June 30, 2018. Thereafter, each agreement automatically renews for successive 12-month periods, unless one party to the agreement provides notice of non-renewal to the other at least 180 days before the last day of then current agreement term.

The specific terms of these agreements are described under "Other Potential Post-Employment Payments" below.

## Summary Compensation Table

The following table sets forth the compensation for the last three fiscal years of our NEOs:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (1) (\$)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
James E. Ferrell (2) Interim Chief Executive Officer and President; Chairman of the Board of Directors	2017	—	—	—	—	—	—
	2016	126,538	—	—	—	637,129	763,667
	2015	700,000	—	632,566	—	29,180	1,361,746
Stephen L. Wambold (3) Former Chief Executive Officer and President	2017	700,000	—	1,778,450	—	28,498	2,506,948
	2016	400,125	—	—	—	30,990	431,115
	2015	375,000	—	651,388	—	30,531	1,056,919
Alan C. Heitmann Executive Vice President and Chief Financial Officer; Treasurer	2017	298,593	250,000	671,820	—	33,230	1,253,643
	2016	335,000	—	—	—	372,684	707,684
	2015	335,000	—	277,095	—	334,005	946,100
Thomas M. Van Buren (4) Executive Vice President, Ferrell North America and Midstream Operations	2017	303,793	—	785,034	—	56,451	1,145,278
	2016	375,000	—	—	—	28,022	403,022
	2015	500,000	—	—	—	22,102	522,102
Randy V. Schott Senior Vice President of Retail Operations	2017	500,000	—	—	—	22,102	522,102
Daniel E. Giannini President, Bridger Logistics, LLC	2017	500,000	—	—	—	22,102	522,102

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Tod D. Brown (5)	2017224,048—	—	—	283,329	507,377
Executive Vice President, Ferrellgas	2016400,000—	435,464	—	52,282	887,746
and President, Blue Rhino	2015400,000—	936,929	—	51,548	1,388,477

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- See Note B – Summary of significant accounting policies (16) Stock-based plans – to our consolidated financial statements for information concerning these awards. The value reported represents the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 718 Compensation - Stock Compensation.
- (1) Mr. Ferrell elected not to receive a salary given his status as interim Chief Executive Officer and position as Chairman of the Board of Directors.
- (2) On September 27, 2016, Mr. Wambold resigned as Chief Executive Officer, President and Director of Ferrellgas, Inc.
- (3) On September 12, 2017, Mr. Van Buren resigned as Executive Vice President, Ferrell North America and Midstream Operations.
- (4) On January 13, 2017, Mr. Brown resigned as Executive Vice President, Ferrellgas, and Chief Executive Officer, Blue Rhino.
- (5) All Other Compensation consisted of the following:

Name	Year	ESOP Allocations (\$)	401(k) Plan Match (\$)	SSP Match (\$)	Other (\$)	Total All Other Compensation (\$)
James E. Ferrell	2017	—	—	—	—	—
Stephen L. Wambold (14)	2017	12,552	1,358	—	623,219 (7)	637,129
	2016	18,553	5,254	5,373	—	29,180
	2015	16,890	6,702	4,906	—	28,498
Alan C. Heitmann	2017	20,052	7,350	3,588	—	30,990
	2016	18,553	1,969	10,009	—	30,531
	2015	16,890	11,336	5,004	—	33,230
Thomas M. Van Buren (15)	2017	20,052	6,700	5,392	340,540 (8)	372,684
	2016	18,553	5,707	6,820	302,925 (9)	334,005
	2015	16,890	6,261	5,164	28,136 (10)	56,451
Randy V. Schott	2017	20,052	4,510	3,460	—	28,022
Daniel E. Giannini	2017	20,052	2,050	—	—	22,102
Tod D. Brown (16)	2017	12,552	2,485	3,139	265,153 (11)	283,329
	2016	18,553	8,462	2,459	22,808 (12)	52,282
	2015	16,890	9,115	2,945	22,598 (13)	51,548

- (7) This amount includes \$565,385 for severance, \$53,846 for earned and unpaid vacation and \$3,988 for payment of personal financial, tax or legal advice.
- (8) This amount includes \$338,865 of relocation costs and \$1,675 for payment of personal financial, tax or legal advice.
- (9) This amount primarily includes \$296,250 for relocation costs and \$3,653 for payment of personal financial, tax or legal advice.
- (10) This amount primarily includes \$22,472 for relocation costs and \$5,204 for payment of personal financial, tax or legal advice.
- (11) This amount includes \$213,152 for severance, \$32,708 for earned and unpaid vacation, \$9,000 for car allowance and \$10,293 for payment of personal financial, tax or legal advice.

- (12) This amount primarily includes \$18,000 for car allowance and \$4,172 for payment of personal financial, tax or legal advice.
- (13) This amount includes \$18,000 for car allowance and \$4,598 for payment of personal financial, tax or legal advice.
- (14) On September 27, 2016, Mr. Wambold resigned as Chief Executive Officer, President and Director of Ferrellgas, Inc.
- (15) On September 12, 2017, Mr. Van Buren resigned as Executive Vice President, Ferrell North America and Midstream Operations.
- (16) On January 13, 2017, Mr. Brown resigned as Executive Vice President, Ferrellgas, and Chief Executive Officer, Blue Rhino.

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## Grants of Plan-Based Awards

During fiscal 2017 there were no plan based awards granted to NEOs under the ICP.

## Outstanding Equity Awards at Fiscal Year End

The following table lists information concerning our NEOs' outstanding equity awards under the Ferrell Companies Incentive Compensation Plan as of July 31, 2017.

Ferrell Companies Incentive Compensation Plan  
Option Awards

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Expiration Date
James E. Ferrell	—	26,300	(1)21.92	10/31/2022
	—	22,500	(2)21.92	1/31/2023
	—	108,560	(3)24.65	10/31/2023
Alan C. Heitmann	101,500	—	(4)31.65	10/31/2024
	250,000	—	(5)31.45	10/31/2025
	12,520	50,080	(6)27.40	7/31/2026
Thomas M. Van Buren	—	12,816	(7)24.65	10/31/2023
	75,000	—	(7)31.65	10/31/2024
	14,800	22,200	(7)31.65	10/31/2024
	7,491	11,237	(7)31.65	10/31/2024
	250,000	—	(7)31.45	10/31/2025
	2,745	10,983	(7)31.45	10/31/2025
Randy V. Schott	—	5,860	(1)21.92	10/31/2022
	—	29,839	(3)24.65	10/31/2023
	37,500	—	(4)31.65	10/31/2024
	23,918	35,879	(8)31.65	10/31/2024
	11,459	45,838	(9)31.45	10/31/2025

(1)These options will fully vest on 10/31/2017.

(2)These options will fully vest on 1/31/2018.

(3)These options will fully vest on 10/31/2018.

(4)These options were fully vested on 10/31/2014.

(5)These options were fully vested on 10/31/2015.

(6)These options will be fully vested on 7/31/2021.

(7) On September 12, 2017, Mr. Van Buren resigned as Executive Vice President, Ferrell North America and Midstream Operations.

(8)These options will be fully vested on 10/31/2019.

(9) These options will be fully vested on 10/31/2020.

Option Exercises

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The following table lists information concerning our NEOs' equity awards that were exercised during the fiscal year ended July 31, 2017:

Ferrell Companies Incentive Compensation Plan  
Option Awards

Name	Number of Equity Based Awards Exercised (#)	Value Realized on Exercise (\$)
James E. Ferrell	167,380	1,123,363
Steven L. Wambold (1)	59,889	380,639
Alan C. Heitmann	185,900	482,914
Thomas M. Van Buren (2)	12,728	82,049
Randy V. Schott	145,497	541,253
Tod D. Brown (3)	297,132	1,452,292

(1) On September 27, 2016, Mr. Wambold resigned as Chief Executive Officer, President and Director of Ferrellgas, Inc.

(2) On September 12, 2017, Mr. Van Buren resigned as Executive Vice President, Ferrell North America and Midstream Operations.

(3) On January 13, 2017, Mr. Brown resigned as Executive Vice President, Ferrellgas, and Chief Executive Officer, Blue Rhino.

Nonqualified Deferred Compensation

The following table lists information concerning our NEOs' nonqualified SSP account activity during the fiscal year ended July 31, 2017:

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (1) (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (2) (\$)
Stephen L. Wambold (3)	6,731	—	26,384	555,613	—
Alan C. Heitmann	59,874	3,588	66,057	—	619,074
Thomas M. Van Buren (4)	13,400	5,392	19,717	—	147,100
Randy V. Schott	6,904	3,460	21,499	—	186,643
Tod D. Brown (5)	7,811	3,139	26,738	—	244,633

(1) Amounts are included in the Summary Compensation Table above.

(2) The portion of this amount representing registrant contributions made in years prior was previously reported as compensation to the NEO in the Summary Compensation Table for previous years.

(3) On September 27, 2016, Mr. Wambold resigned as Chief Executive Officer, President and Director of Ferrellgas, Inc.

(4) On September 12, 2017, Mr. Van Buren resigned as Executive Vice President, Ferrell North America and Midstream Operations.



- (5) On January 13, 2017, Mr. Brown resigned as Executive Vice President, Ferrellgas, and Chief Executive Officer, Blue Rhino.

#### Other Potential Post-Employment Payments

Our general partner has entered into an employment agreement with certain of our NEOs. Pursuant to the terms of the employment agreements, if the NEO's employment is terminated for any reason, the NEO will be entitled to the following payments:

- (i) the NEO's earned but unpaid salary for the period ending on the NEO's termination date;
- (ii) the NEO's accrued but unpaid vacation pay for the period ending on the NEO's termination date;
- (iii) the NEO's unreimbursed business expenses; and
- (iv) any amounts payable to the NEO under the terms of any employee benefit plan.

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Pursuant to the terms of the employment agreements, in the event of death, disability, a termination for cause, voluntary resignation or mutual agreement, neither the NEO nor any other person will have any right to payments or benefits other than those listed above for periods after the NEO’s termination date.

Pursuant to the terms of the employment agreements, the term “Cause” means:

- the willful and continued failure by the NEO to substantially perform his duties for Ferrellgas, Inc. (other than any such failure resulting from the NEO’s being disabled) within a reasonable period of time after a written demand for (i)substantial performance is delivered to the NEO by the Board of Ferrellgas, Inc., which demand specifically identifies the manner in which the Board of Ferrellgas, Inc. believes that the NEO has not substantially performed his duties;
- (ii) the willful engaging by the NEO in conduct which is demonstrably and materially injurious to Ferrellgas, Inc., monetarily or otherwise;
- the engaging by the NEO in egregious misconduct involving serious moral turpitude to the extent that, in the (iii)reasonable judgment of the Board of Ferrellgas, Inc., the NEO’s credibility and reputation no longer conform to the standard of the Ferrellgas, Inc.’s executives; or
- (iv)the NEO’s material breach of a material term of this Agreement.

Pursuant to the terms of the employment agreements, the term “Good Reason” means any of the following which occur after the effective date of the employment agreement without the consent of the NEO:

- A reduction in excess of 10% in the NEO’s salary or target incentive potential as in effect as of the effective date of (i)the employment agreement, as the same may be modified from time to time in accordance with the employment agreement;
- A material diminution in the NEO’s authority, duties or responsibilities as in effect as of the effective date of the (ii)employment agreement, as the same may be modified from time to time in accordance with the employment agreement;
- The relocation of the NEO’s principal office location to a location which is more than 50 highway miles from the (iii)location of the NEO’s principal office location as in effect on the effective date of the employment agreement (or such subsequent principal location agreed to by the NEO); or
- (iv)Ferrellgas, Inc.’s material breach of any material term of the employment agreement.

Should a termination of employment occur resulting from a termination other than for Cause or from a termination for Good Reason, each as defined above, each of our NEOs will be entitled to:

- a payment equal to two times the NEO’s annual base salary in effect immediately prior to the termination date; this (i)amount would be paid in substantially equal monthly installments over a two year timeframe beginning within five days following the termination date;
- a payment equal to two times the NEO’s target bonus, at his target bonus rate in effect immediately prior to the (ii)termination date; this amount would be paid in substantially equal monthly installments over a two year timeframe beginning within five days following the termination date;
- (iii) receive continuing group medical coverage for himself and his dependents for two years following the termination date; and
- (iv)a lump sum payment of \$12,000 for professional outplacement services.

The value of the cash severance payments under the employment agreements for all of the NEOs, at July 31, 2017 would have been:

NEO	Two	Two
	times	times
	annual	target
	base	bonus

salary (\$)

(\$)

Alan C. Heitmann 800,250 800,250

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Additionally, a change in control would cause each NEO's unvested SARs to become fully vested. At July 31, 2017, this would have resulted in a cash payment due to our NEOs as follows:

NEO	SAR payout at July 31, 2017 upon a change in control (\$)
James E. Ferrell	—
Alan C. Heitmann	—
Thomas M. Van Buren (1)	—
Randy V. Schott	—

(1) On September 12, 2017, Mr. Van Buren resigned as Executive Vice President, Ferrell North America and Midstream Operations.

Compensation of Non-Employee Directors

We believe the compensation package for the non-employee members of the Board of Directors of our general partner (the "Board") should compensate our non-employee directors in a manner that is competitive within the marketplace. Our compensation package includes a combination of annual director fees and SAR awards. Total compensation awarded to our non-employee directors varies depending upon their level of activity within the Board. All directors are paid a base fee, plus additional fees depending on their level of activity. The base fee as of July 31, 2017 was \$70,000 per year. Participation in and chairing of committees within the Board will increase the level of compensation paid to an individual Board member.

Our Chief Executive Officer formulates preliminary annual director fee and SAR awards recommendations for each Board member. These recommendations are subject to review and approval by the Compensation Committee. To assist our Chief Executive Officer and the Compensation Committee, Trenton D. Hampton utilizes publicly available board of director compensation data within our industry, as compiled by Mercer, to provide market data that is used to create benchmarks for each director's annual director fee and total compensation package.

SAR awards for non-employee members of the Board are determined utilizing competitive compensation data that is gathered on an annual basis. Annually we compare the compensation of our Board with the compensation levels and practices of companies that are of similar size and operate in similar industries. We utilize that data to analyze the compensation of our non-employee members of the Board and ensure that we are competitive in the marketplace for compensating our Board. SAR awards are one element of that compensation, and the actual awards that are granted are determined on a discretionary basis. All SAR awards granted to our non-employee directors have an exercise price equal to the most recently published semi-annual valuation that is performed on Ferrell Companies for the purposes of the ESOP.

The following table sets forth the compensation for the last completed fiscal year of our Board.

Fees Paid in	Option Awards	All Other Compensation	Total
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Name	Cash (6)		(\$)	(\$)
	(\$)	(\$)		
James E. Ferrell	(1) 200,000	—	—	200,000
David L. Starling	(2) 70,000	—	—	70,000
A. Andrew Levison	(3) 70,000	—	—	70,000
John R. Lowden	(3) 81,250	—	—	81,250
Michael F. Morrissey	(4) 87,500	—	—	87,500
Pamela A. Breuckmann	(5) 72,813	—	—	72,813
Stephen M. Clifford	(2) 81,250	—	—	81,250

(1) At July 31, 2017, this director had 157,360 SAR awards outstanding.

(2) At July 31, 2017, this director had 50,000 SAR awards outstanding.

(3) At July 31, 2017, this director had 90,000 SAR awards outstanding.

(4) At July 31, 2017, this director had 109,000 SAR awards outstanding.

(5) At July 31, 2017, this director had 33,000 SAR awards outstanding.

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ITEM SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT  
12. AND RELATED UNITHOLDER MATTERS.

The following table sets forth certain information as of September 26, 2017, regarding the beneficial ownership of our common units by:

- persons that own more than 5% of our common units;
- persons that are directors, nominees or named executive officers of our general partner; and
- all directors and executive officers of our general partner as a group.

Other than those persons listed below, our general partner knows of no other person beneficially owning more than 5% of our common units.

Ferrellgas Partners, L.P.

Title of class	Name and address of beneficial owner	Units beneficially owned	Percentage of class
Common units	Ferrell Companies, Inc. Employee Stock Ownership Trust 125 S. LaSalle Street, 17th floor Chicago, IL 60603	22,776,251	23.4
	James E. Ferrell 7500 College Blvd. Suite 1000 Overland Park, KS 66210	4,763,475	4.9
	Alan C. Heitmann	15,960	*
	Thomas M. Van Buren	11,000	*
	Randy V. Schott	5,800	*
	Trenton D. Hampton	1,107	*
	Daniel E. Giannini	—	*
	A. Andrew Levison	21,800	*
	John R. Lowden	5,000	*
	Michael F. Morrissey	6,000	*
	Stephen M. Clifford	7,000	*
	Pamela A. Breuckmann	35,000	*
	David L. Starling	14,300	*
	Stephen L. Wambold	150,000	*
	Tod D. Brown	50,000	*
	All Current Directors and Executive Officers as a Group	4,875,442	5.0
*	Less than one percent		

Beneficial ownership for the purposes of the foregoing table is defined by Rule 13d-3 under the Exchange Act. Under that rule, a person is generally considered to be the beneficial owner of a security if he has or shares the power to vote or direct the voting thereof, and/or to dispose or direct the disposition thereof, or has the right to acquire either of those powers within 60 days.

All common stock of Ferrell Companies, Inc. (“FCI shares”) held in the Ferrell Companies, Inc. Employee Stock Ownership Trust (“Trust”) is ultimately voted by the appointed trustee. The current independent trustee of the Trust is GreatBanc Trust Company. Each participant in the Ferrell Companies, Inc. Employee Stock Ownership Plan (“ESOP”) may be entitled to direct the Trustee as to the exercise of any voting rights attributable to FCI shares allocated to their ESOP account, but only to the extent required by certain sections of the Internal Revenue Code. The ESOP plan

administrator shall direct the Trustee how to vote both FCI shares not allocated to plan participants (i.e., held in a Trust suspense account) and any allocated FCI shares in the Trust as to which no voting instructions have been received from participants. In all cases, the Trustee may vote the shares as it determines is necessary to fulfill its fiduciary duties under ERISA.

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The common units owned by the Employee Stock Ownership Trust at September 28, 2017 includes 22,529,361 common units owned by Ferrell Companies which is 100% owned by the Employee Stock Ownership Trust, 195,686 common units owned by FCI Trading Corp., a wholly-owned subsidiary of Ferrell Companies and 51,204 common units owned by Ferrell Propane, Inc., a wholly-owned subsidiary of our general partner.

Securities Authorized for Issuance under Equity Compensation Plan

None.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Related Party Transactions

Our written Code of Business Conduct and Ethics applies to our directors, officers and employees. It deals with conflicts of interest, confidential information, use of company assets, business dealings, and other similar topics. The Code prohibits any transaction that raises questions of possible ethical or legal conflict between the interests of the company and an employee's personal interests.

The board of directors maintains policies that govern specific related party transactions. Each of these policies contain guidelines on what entities or natural persons are considered related parties or an affiliate and the related procedures that are to be followed if transactions occur with these parties. On a quarterly basis, or more frequently if required by the policies, management provides the board with a discussion of any related party or affiliate trading transactions. Annually, these policies are reviewed by the board's Corporate Governance and Nominating Committee and considered for approval by the board of directors.

Our directors and officers are required each year to respond to a detailed questionnaire. The questionnaire requires each director and officer to identify every non-Company organization of any type of which they or their family (as defined by the SEC) are a director, partner, member, trustee, officer, employee, representative, consultant or significant shareholder. The questionnaire also requires disclosure of any transaction, relationship or arrangement with the Company. The information obtained from these questionnaires is then evaluated to determine the nature and amount of any transactions or relationships. If significant, the results are provided to the Corporate Governance and Nominating Committee and Board for their use in determining director and officer independence and related party disclosure obligations.

We have no employees and are managed and controlled by our general partner. Pursuant to our partnership agreement, our general partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on our behalf, and all other necessary or appropriate expenses allocable to us or otherwise reasonably incurred by our general partner in connection with operating our business. These reimbursable costs, which totaled \$260.0 million for fiscal 2017, include operating expenses such as compensation and benefits paid to employees of our general partner who perform services on our behalf, as well as related general and administrative expenses.

Related party common unitholder information consisted of the following:

Common	Distributions
unit	paid during
ownership	the year
at July 31,	ended July
2017	31, 2017 (in



	thousands)
Ferrell Companies (1)	22,529,361 \$ 18,305
James E. Ferrell (2)	4,763,475 3,869
FCI Trading Corp. (3)	195,686 160
Ferrell Propane, Inc. (4)	51,204 41

(1) Ferrell Companies is the sole shareholder of our general partner.

James E. Ferrell is the Interim Chief Executive Officer and President of our general partner; and 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. 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.

(3) FCI Trading Corp. is an affiliate of the general partner and is wholly-owned by Ferrell Companies.

(4) Ferrell Propane, Inc. is wholly-owned by our general partner.

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During fiscal 2017, Ferrellgas Partners and the operating partnership together paid the general partner distributions of \$1.8 million.

On September 14, 2017, the operating partnership paid distributions to Ferrellgas Partners and the general partner of \$9.8 million and \$0.1 million, respectively.

On September 14, 2017, Ferrellgas Partners paid distributions to Ferrell Companies, FCI Trading Corp., Ferrell Propane, Inc., James E. Ferrell (indirectly), and the general partner of \$2.3 million, \$20 thousand, \$5 thousand, \$0.5 million, and \$0.1 million, respectively.

Certain Business Relationships

None.

Indebtedness of Management

None.

Transactions with Promoters

None.

Director Independence

The Board has affirmatively determined that Messrs. Levison, Lowden, Starling, Morrissey and Clifford, who constitute a majority of its Directors, are “independent” as described by the NYSE’s corporate governance rules.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following table presents fees for professional services rendered by Grant Thornton LLP for the audit of the Company’s annual financial statements for the years ended July 31, 2017 and July 31, 2016 and fees billed for other services rendered by Grant Thornton LLP for such years, unless otherwise noted:

(in thousands)	2017	2016
Audit fees (1)	\$1,422	\$1,580
Audit-related fees (2)	20	20
Tax fees (3)	—	—
All other fees (4)	—	—
Total	\$1,442	\$1,600

Audit fees consist of the aggregate fees billed for each of the last two fiscal years for professional services rendered by Grant Thornton LLP in connection with the audit of our annual financial statements and the review of financial statements included in our quarterly reports on Form 10-Q. In addition, these fees also covered those services that are normally provided by an accountant in connection with statutory and regulatory filings or engagements and services related to the audit of our internal controls over financial reporting, accounting consultations, consents, comfort letters and assistance with and review of documents filed with the SEC.

(2) Audit-related fees consist of the aggregate fees billed in each of the last two fiscal years for assurance and related services by Grant Thornton LLP that we believe are reasonably related to the performance of the audit or review of our financial statements and that would not normally be reported under Item 9(e)(1) of Schedule 14A. These services generally consisted of financial accounting and reporting consultations not classified as audit fees, due

diligence related to mergers and acquisitions and audits of our benefit plans.

- (3) Tax fees, which there were none in fiscal 2017 and fiscal 2016, represent fees for professional tax services provided by Grant Thornton.
- (4) All other fees, which there were none in fiscal 2017 and fiscal 2016, represent the aggregate fees billed for products and services provided by Grant Thornton, other than Audit fees, Audit-related fees and Tax fees.

The Audit Committee of our general partner reviewed and approved all audit and non-audit services provided to us by Grant Thornton LLP during fiscal 2017 and 2016, respectively, prior to the commencement of such services. See “Item 10. Directors and Executive Officers of the Registrants–Audit Committee” for a description of the Audit Committee’s pre-approval policies and procedures related to the engagement by us of an independent registered public accounting firm.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

1. Financial Statements.

See "Index to Financial Statements" set forth on page F-1.

2. Financial Statement Schedules.

See "Index to Financial Statement Schedules" set forth on page S-1.

3. Exhibits.

See "Index to Exhibits" set forth on page E-1.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FERRELLGAS PARTNERS, L.P.

By Ferrellgas, Inc. (General Partner)

Date: September 28, 2017 By/s/ James E. Ferrell  
 James E. Ferrell  
 Interim Chief Executive Officer and President; Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ James E. Ferrell James E. Ferrell	Interim Chief Executive Officer and President; Chairman of the Board of Directors	9/28/2017
/s/ Pamela A. Breuckmann Pamela A. Breuckmann	Director	9/28/2017
/s/ Stephen M. Clifford Stephen M. Clifford	Director	9/28/2017
/s/ A. Andrew Levison A. Andrew Levison	Director	9/28/2017
/s/ John R. Lowden John R. Lowden	Director	9/28/2017
/s/ Michael F. Morrissey Michael F. Morrissey	Director	9/28/2017
/s/ David L. Starling David L. Starling	Director	9/28/2017
/s/ Alan C. Heitmann Alan C. Heitmann	Executive Vice President and Chief Financial Officer; Treasurer (Principal Financial and Accounting Officer)	9/28/2017



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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FERRELLGAS PARTNERS FINANCE CORP.

Date: September 28, 2017 By/s/ James E. Ferrell

James E. Ferrell

Interim Chief Executive Officer and President; Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ James E. Ferrell James E. Ferrell	Interim Chief Executive Officer and President (Principal Executive Officer); Chairman of the Board of Directors	9/28/2017
/s/ Alan C. Heitmann Alan C. Heitmann	Executive Vice President and Chief Financial Officer; Treasurer (Principal Financial and Accounting Officer)	9/28/2017

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FERRELLGAS, L.P.

By Ferrellgas, Inc. (General Partner)

Date: September 28, 2017 By/s/ James E. Ferrell  
 James E. Ferrell  
 Interim Chief Executive Officer and President; Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ James E. Ferrell James E. Ferrell	Interim Chief Executive Officer and President; Chairman of the Board of Directors	9/28/2017
/s/ Pamela A. Breuckmann Pamela A. Breuckmann	Director	9/28/2017
/s/ Stephen M. Clifford Stephen M. Clifford	Director	9/28/2017
/s/ A. Andrew Levison A. Andrew Levison	Director	9/28/2017
/s/ John R. Lowden John R. Lowden	Director	9/28/2017
/s/ Michael F. Morrissey Michael F. Morrissey	Director	9/28/2017
/s/ David L. Starling David L. Starling	Director	9/28/2017
/s/ Alan C. Heitmann Alan C. Heitmann	Executive Vice President and Chief Financial Officer; Treasurer (Principal Financial and Accounting Officer)	9/28/2017





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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FERRELLGAS FINANCE CORP.

Date: September 28, 2017 By/s/ James E. Ferrell

James E. Ferrell

Interim Chief Executive Officer and President; Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ James E. Ferrell James E. Ferrell	Interim Chief Executive Officer and President (Principal Executive Officer); Chairman of the Board of Directors	9/28/2017
/s/ Alan C. Heitmann Alan C. Heitmann	Executive Vice President and Chief Financial Officer; Treasurer (Principal Financial and Accounting Officer)	9/28/2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Partners

Ferrellgas Partners, L.P.

We have audited the accompanying consolidated balance sheets of Ferrellgas Partners, L.P. and subsidiaries (the “Partnership”) as of July 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), partners’ capital (deficit), and cash flows for each of the three years in the period ended July 31, 2017. Our audits of the basic consolidated financial statements included the financial statement schedules listed in the index appearing on page S-1. These financial statements and financial statement schedules are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ferrellgas Partners, L.P. and subsidiaries as of July 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Partnership’s internal control over financial reporting as of July 31, 2017, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated September 28, 2017 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Kansas City, Missouri

September 28, 2017

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CONSOLIDATED BALANCE SHEETS

(in thousands, except unit data)

	July 31,	2016
<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Current assets:		
Cash and cash equivalents	\$5,760	\$4,965
Accounts and notes receivable (including \$109,407 and \$106,464 of accounts receivable pledged as collateral at 2017 and 2016, respectively, and net of allowance for doubtful accounts of \$1,976 and \$5,067 at 2017 and 2016, respectively)	165,084	149,583
Inventories	92,552	90,594
Prepaid expenses and other current assets	33,388	39,973
Total current assets	296,784	285,115
Property, plant and equipment, net	731,923	774,680
Goodwill	256,103	256,103
Intangible assets, net	251,102	280,185
Other assets, net	74,057	87,223
Total assets	\$1,609,969	\$1,683,306
<b>LIABILITIES AND PARTNERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$85,561	\$67,928
Short-term borrowings	59,781	101,291
Collateralized note payable	69,000	64,000
Other current liabilities	126,224	128,958
Total current liabilities	340,566	362,177
Long-term debt	1,995,795	1,941,335
Other liabilities	31,118	31,574
Contingencies and commitments (Note O)		
Partners' deficit:		
Common unitholders (97,152,665 and 98,002,665 units outstanding at 2017 and 2016, respectively)	(701,188 )	(570,754 )
General partner unitholder (989,926 units outstanding at 2017 and 2016)	(66,991 )	(65,835 )
Accumulated other comprehensive income (loss)	14,601	(10,468 )
Total Ferrellgas Partners, L.P. partners' deficit	(753,578 )	(647,057 )
Noncontrolling interest	(3,932 )	(4,723 )
Total partners' deficit	(757,510 )	(651,780 )
Total liabilities and partners' deficit	\$1,609,969	\$1,683,306
See notes to consolidated financial statements.		

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FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except per unit data)

	For the year ended July 31,		
	2017	2016	2015
Revenues:			
Propane and other gas liquids sales	\$1,318,412	\$1,202,368	\$1,657,016
Midstream operations	466,703	625,238	107,189
Other	145,162	211,761	260,185
Total revenues	1,930,277	2,039,367	2,024,390
Costs and expenses:			
Cost of sales - propane and other gas liquids sales	694,155	564,433	977,224
Cost of sales - midstream operations	429,439	471,234	76,590
Cost of sales - other	67,267	126,237	170,697
Operating expense	432,412	459,178	437,457
Depreciation and amortization expense	103,351	150,513	98,579
General and administrative expense	49,617	56,635	77,238
Equipment lease expense	29,124	28,833	24,273
Non-cash employee stock ownership plan compensation charge	15,088	27,595	24,713
Asset impairments	—	658,118	—
Loss on asset sales and disposal	14,457	30,835	7,099
Operating income (loss)	95,367	(534,244)	130,520
Interest expense	(152,485)	(137,937)	(100,396)
Other income (expense), net	1,474	110	(350)
Earnings (loss) before income taxes	(55,644)	(672,071)	29,774
Income tax benefit	(1,143)	(36)	(315)
Net earnings (loss)	(54,501)	(672,035)	30,089
Net earnings (loss) attributable to noncontrolling interest	(294)	(6,620)	469
Net earnings (loss) attributable to Ferrellgas Partners, L.P.	(54,207)	(665,415)	29,620
Less: General partner's interest in net earnings (loss)	(542)	(6,654)	296
Common unitholders' interest in net earnings (loss)	\$(53,665)	\$(658,761)	\$29,324
Basic and diluted net earnings (loss) per common unitholders' interest	\$(0.55)	\$(6.68)	\$0.35
Cash distributions declared per common unit	\$0.40	\$2.05	\$2.00
See notes to consolidated financial statements.			

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

	For the year ended July 31,		
	2017	2016	2015
Net earnings (loss)	\$(54,501)	\$(672,035)	\$30,089
Other comprehensive income (loss)			
Change in value on risk management derivatives	22,525	1,789	(73,647 )
Reclassification of gains on derivatives to earnings	1,938	27,302	28,258
Foreign currency translation adjustment	320	—	(2 )
Pension liability adjustment	541	(333 )	(185 )
Other comprehensive income (loss)	25,324	28,758	(45,576 )
Comprehensive loss	(29,177 )	(643,277 )	(15,487 )
Less: comprehensive income (loss) attributable to noncontrolling interest	(39 )	(6,328 )	8
Comprehensive loss attributable to Ferrellgas Partners, LP	\$(29,138)	\$(636,949)	\$(15,495)
See notes to consolidated financial statements.			

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FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL (DEFICIT)  
(in thousands)

	Number of units				Accumulated other comprehensive income (loss)	Total Ferrellgas Partner, L.P. partners' capital (deficit)	Non-controlling interest	Total partners' capital (deficit)
	Common unitholders	General Partner unitholder	Common unitholders	General Partner unitholder				
Balance at July 31, 2014	81,228.2	820.5	\$(57,893 )	\$(60,654 )	\$ 6,181	\$(112,366)	\$ 720	\$(111,646)
Contributions in connection with non-cash ESOP and stock and unit-based compensation charges	—	—	49,681	502	—	50,183	512	50,695
Distributions	—	—	(165,433 )	(1,672 )	—	(167,105 )	(6,139 )	(173,244 )
Common units issued in connection with acquisitions	11,334.2	114.5	262,952	2,656	—	265,608	31	265,639
Exercise of common unit options	5.8	0.1	91	1	—	92	—	92
Common units issued in offering, net of issuance costs	7,808.6	78.9	181,008	1,829	—	182,837	8,823	191,660
Net earnings	—	—	29,324	296	—	29,620	469	30,089
Other comprehensive loss	—	—	—	—	(45,115 )	(45,115 )	(461 )	(45,576 )
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 and unit-based compensation charges	—	—	36,181	365	—	36,546	373	36,919
Distributions	—	—	(202,118 )	(2,042 )	—	(204,160 )	(2,723 )	(206,883 )
Common unit repurchases	(2,385.7 )	(24.2 )	(45,968 )	(464 )	—	(46,432 )	—	(46,432 )
Exercise of common unit options	11.6	0.1	182	2	—	184	—	184
Net loss	—	—	(658,761 )	(6,654 )	—	(665,415 )	(6,620 )	(672,035 )

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Other comprehensive income	—	—	—	—	28,466	28,466	292	28,758
Balance at July 31, 2016	98,002.7	989.9	(570,754 )	(65,835 )	(10,468 )	(647,057 )	(4,723 )	(651,780 )
Contributions in connection with non-cash ESOP and stock and unit-based compensation charges	—	—	18,018	183	—	18,201	185	18,386
Other contributions	—	—	—	—	—	—	1,695	1,695
Distributions	—	—	(78,936 )	(797 )	—	(79,733 )	(1,050 )	(80,783 )
Common unit repurchases	(850.0 )	—	(15,851 )	—	—	(15,851 )	—	(15,851 )
Net loss	—	—	(53,665 )	(542 )	—	(54,207 )	(294 )	(54,501 )
Other comprehensive income	—	—	—	—	25,069	25,069	255	25,324
Balance at July 31, 2017	97,152.7	989.9	\$(701,188)	\$(66,991)	\$ 14,601	\$(753,578)	\$(3,932)	\$(757,510)

See notes to consolidated financial statements.

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

	For the year ended July 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net earnings (loss)	\$(54,501)	\$(672,035)	\$30,089
Reconciliation of net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	103,351	150,513	98,579
Non-cash employee stock ownership plan compensation charge	15,088	27,595	24,713
Non-cash stock and unit-based compensation charge	3,298	9,324	25,982
Asset impairments	—	658,118	—
Loss on asset sales and disposal	14,457	30,835	7,099
Unrealized gain on derivative instruments	(2,895 )	—	—
Change in fair value of contingent consideration	—	(100 )	(6,300 )
Provision for doubtful accounts	7	1,703	3,419
Deferred tax expense (benefit)	11	(504 )	270
Other	7,933	4,967	3,361
Changes in operating assets and liabilities, net of effects from business acquisitions:			
Accounts and notes receivable, net of securitization	(5,394 )	6,812	(1,739 )
Inventories	(1,958 )	5,788	49,050
Prepaid expenses and other current assets	12,041	17,961	(24,956 )
Accounts payable	17,469	(14,924 )	(1,547 )
Accrued interest expense	2,048	(658 )	5,099
Other current liabilities	12,975	(40,252 )	10,754
Other assets and liabilities	3,358	9,184	(20,801 )
Net cash provided by operating activities	127,288	194,327	203,072
Cash flows from investing activities:			
Business acquisitions, net of cash acquired	(3,539 )	(15,144 )	(641,427)
Capital expenditures	(50,472 )	(117,518 )	(72,481 )
Proceeds from sale of assets	8,510	17,089	5,905
Other	(37 )	(286 )	(14 )
Net cash used in investing activities	(45,538 )	(115,859 )	(708,017)
Cash flows from financing activities:			
Distributions	(79,733 )	(204,160 )	(167,105)
Proceeds from issuance of long-term debt	230,864	168,117	628,134
Payments on long-term debt	(174,292 )	(14,959 )	(119,457)
Net additions to (reductions in) short-term borrowings	(41,510 )	25,972	5,800
Net additions to (reductions in) collateralized short-term borrowings	5,000	(6,000 )	(21,000 )
Cash paid for financing costs	(6,078 )	(1,214 )	(10,301 )
Noncontrolling interest activity	645	(2,693 )	2,684
Repurchase of common units (including fees of \$34 for the year ended July 31, 2016)	(15,851 )	(46,432 )	—
Proceeds from exercise of common unit options	—	182	91
Proceeds from equity offering, net of issuance costs of \$648 for the year ended July 31, 2015	—	—	181,008
Cash contribution from general partner in connection with common unit issuances	—	32	4,456



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Net cash provided by (used in) financing activities	(80,955 )	(81,155 )	504,310
Effect of exchange rate changes on cash	—	—	(2 )
Increase (decrease) in cash and cash equivalents	795	(2,687 )	(637 )
Cash and cash equivalents - beginning of year	4,965	7,652	8,289
Cash and cash equivalents - end of year	\$5,760	\$4,965	\$7,652
See notes to consolidated financial statements.			

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FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per unit data, unless otherwise designated)

A. Partnership organization and formation

Ferrellgas Partners, L.P. ("Ferrellgas Partners") was formed on 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 July 31, 2017, Ferrell Companies Inc. beneficially owns 22.8 million of Ferrellgas Partners' outstanding common units and also owns 100% of Ferrellgas, Inc. Ferrellgas, Inc. (the "general partner") retains 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. Unless contractually provided for, 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 any debt issued by Ferrellgas Partners. The operating partnership is the only operating subsidiary of Ferrellgas Partners.

Ferrellgas is engaged in the following primary businesses:

Propane operations 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 crude oil logistics, which began with the acquisition in June 2015 of Bridger Logistics, LLC ("Bridger"), and water solutions. Crude oil logistics primarily generates income by providing crude oil transportation and logistics services on behalf of producers and end-users of crude oil. Water solutions generates income primarily through the operation of salt water disposal wells in the Eagle Ford shale region of south Texas.

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 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, allowance for doubtful accounts, fair value of reporting units, recoverability of long-lived assets, assumptions used to value business combinations, fair values of derivative contracts and stock-based compensation calculations.

(2) Principles of consolidation: The accompanying consolidated financial statements present the consolidated financial position, results of operations and cash flows of Ferrellgas Partners, its wholly-owned subsidiary, Ferrellgas

Partners Finance Corp., and the operating partnership, its majority-owned subsidiary, after elimination of all intercompany accounts and transactions. The accounts of Ferrellgas Partners' majority-owned subsidiary are included based on the determination that the operating partnership is a variable interest entity for whom Ferrellgas Partners has no ability through voting rights or similar rights to make decisions and thus does not have the power to direct the activities of the operating partnership that most significantly impact economic performance. However, we have determined that Ferrellgas Partners is most closely associated with the operations of the operating partnership because Ferrellgas Partners has the obligation to absorb the losses of and the right to receive benefits from the operating partnership that are significant to the operating partnership and substantially all the assets and liabilities of Ferrellgas Partners consist of the operating partnership. The operating partnership includes the accounts of its wholly-owned subsidiaries. The general partner's approximate 1% general partner interest in the operating partnership is accounted for as a noncontrolling interest. The wholly-owned consolidated subsidiary of the operating partnership, Ferrellgas Receivables, LLC ("Ferrellgas Receivables"), is a special purpose entity that has agreements with the operating partnership to securitize, on an ongoing basis, a portion of its trade accounts receivable.

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(3) Fair value measurements: Ferrellgas measures certain of its assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants – in either the principal market or the most advantageous market. The principal market is the market with the greatest level of activity and volume for the asset or liability.

The common framework for measuring fair value utilizes a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 having the highest priority and Level 3 having the lowest.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

(4) Accounts receivable securitization: Through its wholly-owned and consolidated subsidiary Ferrellgas Receivables, Ferrellgas has agreements to securitize, on an ongoing basis, a portion of its trade accounts receivable.

(5) Inventories: Inventories are stated at the lower of cost or market using weighted average cost and actual cost methods.

(6) Property, plant and equipment: Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures for maintenance and routine repairs are expensed as incurred. Ferrellgas capitalizes computer software, equipment replacement and betterment expenditures that upgrade, replace or completely rebuild major mechanical components and extend the original useful life of the equipment. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets ranging from two to 30 years. Ferrellgas, using its best estimates based on reasonable and supportable assumptions and projections, tests long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of its assets or asset groups might not be recoverable. The recoverability tests for property, plant and equipment are performed at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The recoverability test is performed by determining the carrying value of the asset group and comparing it to the estimated expected undiscounted future cash flows of the asset group. The expected future cash flows are estimated based on Ferrellgas management's plans. If the carrying value exceeds the expected undiscounted future cash flows, an impairment loss is recognized for the difference between the estimated fair market value and the carrying value of the asset group.

(7) 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 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. Ferrellgas has determined that it has five reporting units for goodwill impairment testing purposes. As of July 31, 2017, two 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, the reporting unit's goodwill is impaired. The amount of impairment would be equal to the lesser of the excess of reporting unit carrying value over its fair value and the reporting unit's recorded amount of goodwill. Ferrellgas completed its last annual goodwill impairment test on January 31, 2017 and did not incur an impairment loss.

During the quarter ended January 31, 2017, Ferrellgas adopted ASU 2017-04, which as discussed below eliminated step 2 from the goodwill impairment test. As discussed in Note C – Asset impairments, during 2016 Ferrellgas recorded impairments under the old model prior to adoption of ASU 2017-04.

(8) Intangible assets: Intangible assets with finite useful lives, consisting primarily of customer related assets, non-compete agreements, permits, favorable lease arrangements and patented technology, are stated at cost, net of accumulated amortization calculated using the straight-line method over periods ranging from two to 15 years. When necessary, intangible assets' useful lives are revised and the impact on amortization reflected on a prospective basis. Trade names and trademarks have indefinite lives, are not amortized, and are stated at cost. Ferrellgas tests finite-lived intangible assets for impairment when events or changes in circumstances indicate that the carrying amount of these assets or asset groups might not be recoverable. Ferrellgas tests indefinite-lived intangible assets for impairment annually on January 31 or more frequently if circumstances dictate. The recoverability tests for definite-lived intangible assets are performed at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The recoverability test is performed by determining the carrying value of the asset group and comparing it to the estimated expected undiscounted future cash flows of the asset group. The expected future cash flows are estimated based on Ferrellgas management's plans. If the

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carrying value exceeds the expected undiscounted future cash flows, an impairment loss is recognized for the difference between the estimated fair market value and the carrying value of the asset group.

(9) Derivative instruments and hedging activities:

Commodity and Transportation Fuel Price Risk.

Ferrellgas' overall objective for entering into commodity based derivative contracts, including commodity options and swaps, is to hedge a portion of its exposure to market fluctuations in propane, gasoline, diesel and crude oil prices.

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

Ferrellgas' risk management strategy involves taking positions in the forward or financial markets that are equal and opposite to Ferrellgas' positions in the physical products market in order to minimize the risk of financial loss from an adverse price change. This risk management strategy is successful when Ferrellgas' gains or losses in the physical product markets are offset by its losses or gains in the forward or financial markets. The propane related financial derivatives are designated as cash flow hedges. The gasoline and diesel related financial derivatives have not historically been formally designated and documented as a hedge of exposure to fluctuations in the market price of fuel.

Ferrellgas' risk management activities may include the use of financial derivative instruments including, but not limited to, swaps, options, and futures to seek protection from adverse price movements and to minimize potential losses. Ferrellgas enters into these financial derivative instruments directly with third parties in the over-the-counter market and with brokers who are clearing members with the New York Mercantile Exchange. All of Ferrellgas' financial derivative instruments are reported on the consolidated balance sheets at fair value.

Ferrellgas also enters into forward propane purchase and sales contracts with counterparties. These forward contracts qualify for the normal purchase normal sales exception within GAAP guidance and are therefore not recorded on Ferrellgas' financial statements until settled.

On the date that derivative contracts are entered into, other than those designated as normal purchases or normal sales, Ferrellgas makes a determination as to whether the derivative instrument qualifies for designation as a hedge. These financial instruments are formally designated and documented as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transaction. Because of the high degree of correlation between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instrument are generally offset by changes in the anticipated cash flows of the underlying exposure being hedged. Since the fair value of these derivatives fluctuates over their contractual lives, their fair value amounts should not be viewed in isolation, but rather in relation to the anticipated cash flows of the underlying hedged transaction and the overall reduction in Ferrellgas' risk relating to adverse fluctuations in propane prices. Ferrellgas formally assesses, both at inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in the anticipated cash flows of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is recognized in "Cost of product sold - propane and other gas liquids sales" in the consolidated statements of operations. Financial instruments formally designated and documented as a hedge of a specific underlying exposure are recorded gross at fair value as either "Prepaid expenses

and other current assets", "Other assets, net", "Other current liabilities", or "Other liabilities" on the consolidated balance sheets with changes in fair value reported in other comprehensive income.

Financial instruments not formally designated and documented as a hedge of a specific underlying exposure are recorded at fair value as "Prepaid expenses and other current assets", "Other assets, net", "Other current liabilities", or "Other liabilities" on the consolidated balance sheets with changes in fair value reported in "Cost of sales - midstream operations" and "Operating expense" on the consolidated statements of operations.

#### Interest Rate Risk.

Ferrellgas' overall objective for entering into interest rate derivative contracts, including swaps, is to manage its exposure to interest rate risk associated with its fixed rate senior notes and its floating rate borrowings from both the secured credit facility and the accounts receivable securitization facility. Fluctuations in interest rates subject Ferrellgas to interest rate risk. Decreases

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in interest rates increase the fair value of Ferrellgas' fixed rate debt, while increases in interest rates subject Ferrellgas to the risk of increased interest expense related to its variable rate borrowings.

Ferrellgas enters into fair value hedges to help reduce its fixed interest rate risk. Interest rate swaps are used to hedge the exposure to changes in the fair value of fixed rate debt due to changes in interest rates. Fixed rate debt that has been designated as being hedged is recorded at fair value while the fair value of interest rate derivatives that are considered fair value hedges are classified as "Prepaid expenses and other current assets", "Other assets, net", "Other current liabilities" or as "Other liabilities" on the consolidated balance sheets. Changes in the fair value of fixed rate debt and any related fair value hedges are recognized as they occur in "Interest expense" on the consolidated statements of operations.

Ferrellgas enters into cash flow hedges to help reduce its variable interest rate risk. Interest rate swaps are used to hedge the risk associated with rising interest rates and their effect on forecasted interest payments related to variable rate borrowings. These interest rate swaps are designated as cash flow hedges. Thus, the effective portions of changes in the fair value of the hedges are recorded in "Prepaid expenses and other current assets", "Other assets, net", "Other current liabilities" or as "Other liabilities" with an offsetting entry to "Other comprehensive income" at interim periods and are subsequently recognized as interest expense in the consolidated statement of earnings when the forecasted transaction impacts earnings. Changes in the fair value of any cash flow hedges that are considered ineffective are recognized as interest expense on the consolidated statement of earnings as they occur.

(10) Revenue recognition: Revenues from Ferrellgas' propane operations and related equipment sales segment are recognized at the time product is delivered with payments generally due 30 days after receipt. Amounts are considered past due after 30 days. Ferrellgas determines accounts receivable allowances based on management's assessment of the creditworthiness of the customers and other collection actions. Ferrellgas offers "even pay" billing programs that can create customer deposits or advances. Revenue is recognized from these customer deposits or advances to customers at the time product is delivered. Other revenues, which include revenue from the sale of propane appliances and equipment is recognized at the time of delivery or installation. Ferrellgas recognizes shipping and handling revenues and expenses for sales of propane, appliances and equipment at the time of delivery or installation. Shipping and handling revenues are included in the price of propane charged to customers, and are classified as revenue. Revenues from annually billed, non-refundable propane tank rentals are recognized in "Revenues: other" on a straight-line basis over one year.

Revenues from Ferrellgas' midstream operations segment include crude oil sales, pipeline tariffs, trucking fees, rail throughput fees, pipeline management services, leasing, throughput, storage and salt water disposal. These revenues are recognized upon completion of the related service or delivery of product.

(11) Shipping and handling expenses: Shipping and handling expenses related to delivery personnel, vehicle repair and maintenance and general liability expenses are classified within "Operating expense" in the consolidated statements of operations. Depreciation expenses on delivery vehicles Ferrellgas owns are classified within "Depreciation and amortization expense." Delivery vehicles and distribution technology leased by Ferrellgas are classified within "Equipment lease expense."

See Note G – Supplemental financial statement information – for the financial statement presentation of shipping and handling expenses.

(12) Cost of sales: "Cost of sales – propane and other gas liquids sales" includes all costs to acquire propane and other gas liquids, the costs of storing and transporting inventory prior to delivery to Ferrellgas' customers, the results from risk management activities to hedge related price risk and the costs of materials related to the refurbishment of Ferrellgas' portable propane tanks. "Cost of sales - midstream operations" includes all costs incurred to purchase and



transport crude oil, including the costs of terminaling and transporting crude oil prior to delivery to customers and the costs of salt water disposal. "Cost of sales – other" primarily includes costs related to the sale of propane appliances and equipment.

(13) Operating expense: "Operating expense" primarily includes the personnel, vehicle, delivery, handling, plant, office, selling, marketing, credit and collections and other expenses.

(14) General and administrative expenses: "General and administrative expense" primarily includes personnel and incentive expense related to executives, and employees and other overhead expense related to centralized corporate functions.

(15) Stock-based plans:

Ferrell Companies, Inc. Incentive Compensation Plans ("ICPs")

The ICPs are not Ferrellgas stock-compensation plans; however, in accordance with Ferrellgas' partnership agreements, all Ferrellgas employee-related costs incurred by Ferrell Companies are allocated to Ferrellgas. As a result, Ferrellgas incurs a non-

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cash compensation charge from Ferrell Companies. During the years ended July 31, 2017, 2016 and 2015, the portion of the total non-cash compensation charge relating to the ICPs was \$3.3 million, \$9.3 million and \$25.6 million, respectively.

Ferrell Companies is authorized to issue up to 9.25 million stock appreciation rights ("SARs") that are based on shares of Ferrell Companies common stock. The SARs were established by Ferrell Companies to allow upper-middle and senior level managers as well as directors of the general partner to participate in the equity growth of Ferrell Companies. The SARs awards vest ratably over periods ranging from zero to 10 years or 100% upon a change of control of Ferrell Companies, or upon the death, disability or retirement at the age of 65 of the participant. All awards expire 10 years from the date of issuance. The fair value of each award is estimated on each balance sheet date using a binomial valuation model.

Effective July 31, 2015, Ferrell Companies is authorized to issue deferred appreciation right ("DARs") awards that are based on shares of Ferrell Companies common stock. The DAR awards were established by Ferrell Companies to allow upper-middle and senior level managers as well as directors of the general partner to participate in the equity growth of Ferrell Companies. The DAR awards vest ratably over periods ranging from zero to 10 years or 100% upon a change of control of Ferrell Companies, or upon the death, disability or retirement at the age of 65 of the participant. All awards expire 10 or 15 years from the date of issuance. The fair value of each award is estimated on each balance sheet date using a binomial valuation model.

(16) Income taxes: Ferrellgas Partners is a publicly-traded master limited partnership with one subsidiary that is a taxable corporation. The operating partnership is a limited partnership with three subsidiaries that are taxable corporations. Partnerships are generally not subject to federal income tax, although publicly-traded partnerships are treated as corporations for federal income tax purposes and therefore subject to Federal income tax unless a qualifying income test is satisfied. If this qualifying income test is satisfied, the publicly-traded partnership will be treated as a partnership for Federal income tax purposes. Based on Ferrellgas' calculations, Ferrellgas Partners satisfies the qualifying income test. As a result, except for the taxable corporations, Ferrellgas Partners' earnings or losses for Federal income tax purposes are included in the tax returns of the individual partners, Ferrellgas Partners' unitholders. Accordingly, the accompanying consolidated financial statements of Ferrellgas Partners reflect federal income taxes related to the above mentioned taxable corporations and certain states that allow for income taxation of partnerships. Net earnings for financial statement purposes may differ significantly from taxable income reportable to Ferrellgas Partners unitholders as a result of differences between the tax basis and financial reporting basis of assets and liabilities, the taxable income allocation requirements under Ferrellgas Partners' partnership agreement and differences between Ferrellgas Partners' financial reporting year end and its calendar tax year end.

Income tax expense (benefit) consisted of the following:

	For the year ended July 31,		
	2017	2016	2015
Current expense (benefit)	\$(1,154)	\$468	\$(585)
Deferred expense (benefit)	11	(504)	270
Income tax benefit	\$(1,143)	\$(36)	\$(315)

Deferred taxes consisted of the following:

	July 31,	
	2017	2016
Deferred tax assets (included in Prepaid expenses and other current assets)	\$1,068	\$1,156
Deferred tax liabilities (included in Other liabilities)	(4,186)	(4,085)
Net deferred tax liability	\$(3,118)	\$(2,929)

(17) Sales taxes: Ferrellgas accounts for the collection and remittance of sales tax on a net tax basis. As a result, these amounts are not reflected in the consolidated statements of operations.

(18) Net earnings (loss) per common unitholders' interest: Net earnings (loss) per common unitholders' interest is computed by dividing "Net earnings (loss) attributable to Ferrellgas Partners, L.P.," after deducting the general partner's 1% interest, by the weighted average number of outstanding common units and the dilutive effect, if any, of outstanding unit options. See Note Q – Net earnings (loss) per common unitholders' interest – for further discussion about these calculations.

(19) Loss contingencies: In the normal course of business, Ferrellgas is involved in various claims and legal proceedings. Ferrellgas records a liability for such matters when it is probable that a loss has been incurred and the amounts can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued.

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If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. Legal costs associated with these loss contingencies are expensed as incurred.

(20) New accounting standards:

FASB Accounting Standard Update No. 2014-09

In May 2014, the FASB issued 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 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. Ferrellgas has formed an implementation team, completed training on the new standard, prepared an initial assessment and is continuing to review its contracts with customers.

FASB Accounting Standard Update No. 2015-02 and No. 2016-17

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. In October 2016, the FASB issued ASU 2016-17, Consolidation: Interests Held through Related Parties That Are Under Common Control which amended certain aspects of the additional guidance in ASU 2015-02. We adopted ASU 2015-02 and ASU 2016-17 effective August 1, 2016. The adoption of these standards did not impact our consolidated financial statements.

FASB Accounting Standard Update No. 2015-11

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330) - Simplifying the Measurement of Inventory, which requires that inventory within the scope of the guidance be measured at the lower of cost or net realizable value. This standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted. We do not expect the adoption of this standard to have a material impact on the consolidated financial statements.

FASB Accounting Standard Update No. 2016-02

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Ferrellgas is currently evaluating the impact of its pending adoption of ASU 2016-02 on the consolidated financial statements. Ferrellgas has formed an implementation team, completed training on the new standard, and is working on an initial assessment.

FASB Accounting Standard Update No. 2016-13

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326) which requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. This standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. Ferrellgas is currently evaluating the impact of its pending adoption of this standard on the consolidated financial statements.

FASB Accounting Standard Update No. 2017-04

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which eliminated Step 2 from the goodwill impairment test. Under the new guidance, entities should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. This standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years and applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Ferrellgas elected to early adopt the provisions of this standard during the quarter ended January 31, 2017. The adoption of this standard did not materially impact our consolidated financial statements.

C. Asset impairments

First Quarter ended October 31, 2015

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### Goodwill impairment

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 reporting unit 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 estimate 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' fiscal year 2016 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 was 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 exceeded the implied fair value of that goodwill, an impairment loss was 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 and compared the implied fair value of the reporting unit to the carrying amount of goodwill and determined that goodwill was completely impaired and wrote off the entire \$29.3 million of goodwill related to this reporting unit.

### Fourth Quarter ended July 31, 2016

During the year ended July 31, 2016, approximately 60% of Bridger's gross margin was generated from its largest customer and Jamex, that customer's supplier, under take-or-pay arrangements. Bridger's largest customer during the fiscal year ended July 31, 2016 owned a refinery in Trainer, Pennsylvania. Bridger was party to an agreement with this customer under which Bridger provided logistics services to transport crude oil from the Bakken region in North Dakota to the Trainer refinery. That agreement had a minimum volume commitment and payment obligation from the refinery for logistics services associated with the delivery of 65 MBbls/d. However, if the quantity of crude oil delivered to the refinery dropped below 35 MBbls/d, the minimum volume commitment and payment obligation from the refinery would be suspended and Jamex would become responsible for payments to Bridger under the pay provisions of the Jamex TLA. During February 2016, Jamex ceased sourcing barrels for delivery to the refinery and Bridger had been billing Jamex directly in accordance with the pay provisions of the Jamex TLA. During July 2016, Ferrellgas determined Jamex would not resume sourcing barrels for delivery to the refinery or be likely to continue to make payments under the pay provisions of the Jamex TLA. As a result, Ferrellgas began negotiating a settlement with Jamex, and the Jamex TLA was terminated on September 1, 2016. While the agreement with the refinery owner was not terminated as a result of the execution and delivery of the Jamex Termination Agreement, Bridger was unable to negotiate a revised transportation and logistics agreement with that customer; accordingly it was unlikely that

Bridger would continue to make any deliveries under the existing agreement. As of the date of this assessment, we did not anticipate any material contribution to revenue or gross margin from Jamex or Bridger's largest customer in the future. Additionally, the continued, sustained decline in crude oil prices and resulting decrease in crude oil production in the regions in which we operate significantly impacted our trucking operations during the three months ended July 31, 2016, a trend Ferrellgas anticipated would continue into fiscal 2017 and beyond. This expected decline in future cash flows from operations constituted a triggering event in the fourth fiscal quarter of 2016 for its Midstream operations - crude oil logistics reporting unit, requiring impairment testing of indefinite-lived intangible assets, long-lived tangible and intangible assets within certain asset groups, and goodwill.

#### Tradename impairment

Upon applying the fair-value-based test to its Midstream operations - crude oil logistics reporting unit indefinite-lived intangible asset, which consists of its tradename, Ferrellgas determined that the estimated fair value of the tradename as of July 31, 2016 was less than the carrying value, and as a result recorded an impairment charge of \$7.4 million as of July 31, 2016. Ferrellgas estimated the fair value of the tradename using the relief from royalty method, which is an income approach. Critical

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assumptions included in the relief from royalty method include: (1) discounted future cash flows; (2) growth factors; (3) a discount rate; and (4) a long-term growth rate. The majority of these critical assumptions were unobservable, accordingly Ferrellgas' estimate of fair value of the tradename was considered to be Level 3 in the fair value hierarchy.

### Long-lived asset impairment

Ferrellgas determined that multiple asset groups within the Midstream operations - crude oil logistics reporting unit were not recoverable. Ferrellgas estimated the fair value of each of these asset groups and recorded impairment charges to the extent that fair value was less than the carrying value of the asset group. As of July 31, 2016, impairment charges of \$249.0 million related to customer relationships and non-compete agreements and \$181.8 million related to property, plant and equipment are included in "Asset impairments" in the Consolidated Statement of Operations.

Fair value of the asset groups was determined using an income approach, which was comprised of multiple significant unobservable inputs including: (1) estimate of future cash flows; (2) the timing, success rate and capital required for certain organic growth projects; (3) the amount of capital expenditures required to maintain the existing cash flows; and (4) a terminal period growth rate equal to the expected rate of inflation. Accordingly, Ferrellgas' estimates of fair value of these asset groups were considered to be Level 3 in the fair value hierarchy.

### Goodwill impairment

Ferrellgas concluded that the fair value of the Midstream operations - crude oil logistics reporting unit no longer exceeded its carrying value as of July 31, 2016. Upon applying the second step of the impairment test, Ferrellgas determined that the implied fair value of goodwill was zero, and accordingly we recorded an impairment charge of \$190.6 million as of July 31, 2016, or all of the goodwill previously allocated to this reporting unit.

Ferrellgas used a discounted future cash flow model to estimate fair value of the reporting unit, which included multiple significant unobservable inputs, thus the estimate was considered to be Level 3 in the fair value hierarchy. Ferrellgas prepared various cash flow models involving certain potential scenarios and probability weighted these scenarios which included the following critical assumptions: (1) discounted future cash flows; (2) the timing, success rate and capital required for certain organic growth projects; (3) the amount of capital expenditures required to maintain the existing cash flows; and (4) a terminal period growth rate equal to the expected rate of inflation. In addition to these critical cash flow assumptions, a discount rate of 11.5% was applied to the various projected cash flow models.

Judgments and assumptions are inherent in management's estimates used to determine the fair value of Ferrellgas' reporting units and the fair value of its indefinite-lived assets and long-lived assets, and are consistent with what management believes would be utilized by primary market participants.

## D. Significant transactions

### Termination of Bridger agreement with Jamex Marketing, LLC

In connection with the closing of our acquisition of Bridger in June 2015, Bridger entered into a ten-year transportation and logistics agreement (the "Jamex TLA") with Jamex Marketing, LLC ("Jamex") pursuant to which Jamex would be responsible for certain payments to Bridger and also for sourcing crude oil volumes for Bridger's largest customer at that time.



As a result of concerns regarding the collectability of amounts owed to Bridger from Jamex under the Jamex TLA and certain other matters between Bridger and Jamex, on September 1, 2016, Bridger, Jamex, Ferrellgas Partners, L.P. and certain other affiliated parties entered into a group of agreements that terminated the Jamex TLA, facilitated Ferrellgas purchasing certain Ferrellgas common units from Jamex, and established payment terms for certain amounts owed by Jamex to Bridger under the Jamex TLA. Consequently, Ferrellgas does not anticipate any material contribution to revenue or EBITDA from Jamex or Bridger's former largest customer in the future.

On September 1, 2016, Bridger and Ferrellgas entered into a Termination, Settlement and Release Agreement (the "Jamex Termination Agreement") with Jamex, certain of Jamex's affiliates, and James Ballengee (the owner of Jamex) pursuant to which:

Jamex agreed to execute and deliver a secured promissory note in favor of Bridger in original principal amount of

- (1) \$49.5 million (the "Jamex Secured Promissory Note") in satisfaction of all obligations owed to Bridger under the Jamex TLA;

- (2) Mr. Ballengee and Bacchus Capital Trading, LLC, an entity controlled by Mr. Ballengee, executed and delivered a joint guarantee of the Jamex Secured Promissory Note obligations up to a maximum aggregate amount of \$20.0

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million;

(3) The operating partnership agreed to provide Jamex with a \$5.0 million revolving secured working capital facility evidenced by a revolving promissory note (the “Jamex Revolving Promissory Note” and, together with the Jamex Secured Promissory Note, the “Jamex Notes”);

(4) The other Jamex entities agreed to execute and deliver a security agreement and a full guarantee of the obligations under the Jamex Notes;

(5) Ferrellgas paid approximately \$16.9 million to Jamex and in return received 0.9 million of Ferrellgas Partners' common units, which were cancelled upon receipt, and approximately 23 thousand barrels of crude oil;

(6) The parties agreed to terminate the Jamex TLA and certain other commercial agreements and arrangements between them, and release any claims between or among them that may exist (other than those arising under the Jamex Termination Agreement or the other agreements entered into in connection with the Jamex Termination Agreement); and

(7) Ferrellgas waived the remaining lockup provision applicable to Jamex under the Registration Rights Agreement dated June 24, 2015 to which Jamex is party.

The Jamex Secured Promissory Note originally had an annual interest rate of 7%, which decreased to 2.8% as a result of Ferrellgas reducing its quarterly distribution rate to \$0.10, and contemplates quarterly amortizing principal payments, together with payments of accrued interest. The first quarterly interest payment of approximately \$0.9 million was received in December 2016 and the first and second quarterly principal and interest payments of approximately \$2.8 million each were received in March and June 2017. The maturity date of the Jamex Secured Promissory Note is December 17, 2021, and Jamex may prepay the Secured Promissory Note in whole or in part at any time.

The Jamex Revolving Promissory Note, which provides Jamex with access to working capital liquidity to meet their unrelated and ongoing crude oil marketing and other business needs, has an annual interest rate of 0% (which rate would be increased in case of a default), and contains certain conditions precedent to the operating partnership's obligation to make any advances thereunder. Each borrowing under the Jamex Revolving Promissory Note must be repaid within 10 days, and the ultimate maturity date of the Jamex Revolving Promissory Note is the earlier of September 1, 2021 and the date on which all obligations under the Jamex Secured Promissory Note are repaid. As of July 31, 2017, there were no outstanding borrowings under the Jamex Revolving Promissory Note.

The Jamex Secured Promissory Note is guaranteed, pursuant to a Guaranty Agreement, jointly by James Ballengee and Bacchus Capital Trading, LLC, an entity controlled by Mr. Ballengee (up to a maximum aggregate amount of \$20.0 million), and each Note is fully guaranteed, pursuant to respective Guaranty Agreements, by the other Jamex entities. The obligations of Jamex and the other Jamex entities under the Notes are secured, pursuant to a Security Agreement, by a lien on certain of those entities' assets, including actively traded marketable securities and cash, which are held in a controlled account that can be seized by Ferrellgas in the event of default. The sum of the amounts available under the controlled account and the \$20.0 million guarantee approximate the \$42.5 million note receivable as of July 31, 2017.

E. Business combinations

Business combinations are accounted for under the acquisition method of accounting and the assets acquired and liabilities assumed are recorded at their estimated fair market values as of the acquisition dates. The results of operations are included in the consolidated statements of operations from the date of acquisition. The pro forma effect of these transactions was not material to Ferrellgas' balance sheets or results of operations.

Propane operations and related equipment sales

During fiscal 2017, Ferrellgas acquired propane distribution assets of Valley Center Propane, based in California, with an aggregate value of \$4.4 million.

During fiscal 2016, Ferrellgas acquired propane distribution assets with an aggregate value of \$6.6 million in the following transactions:

Gasco Energy Supply, LLC., based in Missouri, acquired December 2015;  
Warren Energy Supply, Inc. based in Utah, acquired February 2016; and  
Selphs Propane, Inc., based in Colorado, acquired June 2016.

During fiscal 2015, Ferrellgas acquired propane distribution assets of Propane Advantage, LLC, based in Utah, with an aggregate value of \$7.7 million.

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The goodwill arising from the propane operations and related equipment sales acquisitions consists largely of the synergies and economies of scale expected from combining the operations of Ferrellgas and the acquired companies.

These acquisitions were funded as follows on their dates of acquisition:

	For the year ended July 31,		
	2017	2016	2015
Cash payments, net of cash acquired	\$3,539	\$4,476	\$4,250
Issuance of liabilities and other costs and considerations	856	2,126	481
Common units, net of issuance costs	—	—	3,000
Aggregate fair value of transactions	\$4,395	\$6,602	\$7,731

The aggregate fair values, for the acquisitions in propane operations and related equipment sales reporting segment, were allocated as follows, including any adjustments identified during the measurement period:

	For the year ended July 31,		
	2017	2016	2015
Working capital	\$139	\$(249)	\$233
Customer tanks, buildings, land and other	1,220	3,625	236
Customer lists	2,648	2,962	6,569
Non-compete agreements	388	264	693
Aggregate fair value of net assets acquired	\$4,395	\$6,602	\$7,731

The estimated fair values and useful lives of assets acquired during fiscal 2017 are based on a preliminary valuation and are subject to final valuation adjustments. Ferrellgas intends to continue its analysis of the net assets of these transactions to determine the final allocation of the total purchase price to the various assets and liabilities acquired. The estimated fair values and useful lives of assets acquired during fiscal 2016 and 2015 are based on internal valuations and included only minor adjustments during the 12 month period after the date of acquisition. Due to the immateriality of these adjustments, Ferrellgas did not retrospectively adjust the consolidated statements of operations for those measurement period adjustments.

#### Midstream operations

During fiscal 2016, Ferrellgas acquired the crude oil logistics assets of South C&C Trucking, LLC, based in Texas, with an aggregate value of \$10.7 million. The aggregate fair values for this acquisition were allocated as follows: \$(0.6) million of working capital, \$9.2 million of plant, property, and equipment, \$0.7 million of intangibles, and \$1.4 million of goodwill.

On June 24, 2015, Ferrellgas acquired Bridger (based near Dallas, Texas) and formed a new midstream operations segment. 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 incurred and charged to operating expenses, net \$16.4 million of costs during the year ended July 31, 2015, related to the acquisition and transition of Bridger.

Bridger's assets include rail cars, trucks, tank trailers, injection stations, a pipeline, and other assets. Bridger's operations provide crude oil transportation logistics on behalf of producers and end-users of crude oil on a fee-for-service basis, and purchases and sells crude oil in connection with other fee-for-service arrangements.

The excess of purchase consideration over net assets assumed was recorded as goodwill, which represented the strategic value assigned to Bridger, including the knowledge and experience of the workforce in place.

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The following table summarizes the final estimated fair values of the assets acquired and liabilities assumed:

	June 24, 2016
Working capital	\$(8,315 )
Transportation equipment	293,491
Injection stations and pipelines	41,632
Goodwill	189,196
Customer relationships	277,224
Non-compete agreements	10,000
Trade names & trademarks	9,400
Office equipment	7,449
Other	2,375
Aggregate fair value of net assets acquired	\$822,452

During fiscal 2015, Ferrellgas acquired salt water disposal assets with an aggregate value of \$74.7 million in the following transactions, which includes \$1.4 million paid in fiscal 2015 as a working capital and valuation adjustment for prior year acquisitions:

C&E Production, LLC, based in Texas, acquired September 2014; and  
Segrest Saltwater Resources, based in Texas, acquired May 2015.

These acquisitions were funded as follows on their dates of acquisition:

	For the year ended July 31, 2015
Cash payments, net of cash acquired	\$ 74,677

The aggregate fair values for these acquisitions were allocated as follows:

	For the year ended July 31, 2015
Working capital	\$ 1,155
Customer tanks, buildings, land and other	1,704
Salt water disposal wells	10,705
Goodwill	12,359
Customer relationships	38,846
Non-compete agreements	3,639
Permits and favorable lease arrangements	6,269
Aggregate fair value of net assets acquired	\$ 74,677

#### F. Quarterly distribution of available cash

Ferrellgas Partners makes quarterly cash distributions of all of its "available cash." Available cash is defined in the partnership agreement of Ferrellgas Partners as, generally, the sum of its consolidated cash receipts less consolidated cash disbursements and net changes in reserves established by the general partner for future requirements. Reserves are retained in order to provide for the proper conduct of Ferrellgas Partners' business, or to provide funds for distributions with respect to any one or more of the next four fiscal quarters. Distributions are made within 45 days

after the end of each fiscal quarter ending October, January, April and July to holders of record on the applicable record date.

Distributions by Ferrellgas Partners in an amount equal to 100% of its available cash, as defined in its partnership agreement, will be made to the common unitholders and the general partner. Additionally, the payment of incentive distributions to the holders of incentive distribution rights will be made to the extent that certain target levels of cash distributions are achieved.

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See Note J – Debt for additional disclosures related to Ferrellgas' ability to make quarterly cash distributions.

## G. Supplemental financial statement information

Inventories consist of the following:

	2017	2016
Propane gas and related products	\$67,049	\$59,726
Crude oil	724	4,642
Appliances, parts and supplies	24,779	26,226
Inventories	\$92,552	\$90,594

In addition to inventories on hand, Ferrellgas enters into contracts primarily to buy propane for supply procurement purposes with terms generally up to 36 months. Most of these contracts call for payment based on market prices at the date of delivery. As of July 31, 2017, Ferrellgas had committed, for supply procurement purposes, to take delivery of approximately 109.6 million gallons of propane at fixed prices.

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

	Estimated useful lives	2017	2016
Land	Indefinite	\$35,824	\$35,309
Land improvements	2-20	14,342	14,097
Buildings and improvements	20	73,333	73,021
Vehicles, including transport trailers	8-20	121,233	122,691
Bulk equipment and district facilities	5-30	104,291	104,428
Tanks, cylinders and customer equipment	2-30	755,867	767,234
Salt water disposal wells and related equipment	2-30	52,495	57,695
Rail cars	30	91,787	92,980
Injection stations	20	13,130	13,130
Pipeline	15	1,663	1,663
Computer and office equipment	2-5	118,518	122,304
Construction in progress	n/a	10,974	10,481
		1,393,457	1,415,033
Less: accumulated depreciation		661,534	640,353
Property, plant and equipment, net		\$731,923	\$774,680

As of July 31, 2016, property, plant and equipment amounts are net of impairment losses of \$181.8 million. See Note C – Asset impairments for additional disclosures regarding these impairments.

Depreciation expense totaled \$68.1 million, \$85.8 million and \$61.3 million for fiscal 2017, 2016 and 2015, respectively.

Other assets, net consist of the following:

	2017	2016
Jamex receivable, less current portion	\$32,500	\$39,760
Other	41,557	47,463
Other assets, net	\$74,057	\$87,223

At July 31, 2016, management determined that a significant portion of the trade accounts receivable balance with Jamex should be considered noncurrent and accordingly, \$39.8 million of this trade accounts receivable was



reclassified from "Accounts and notes receivable, net" to "Other assets, net". The Jamex trade receivable was converted into a secured promissory note on September 1, 2016. See Note D – Significant transactions for further discussion of this promissory note.

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Other current liabilities consist of the following:

	2017	2016
Accrued interest	\$ 18,671	\$ 16,623
Customer deposits and advances	25,541	27,391
Price risk management liabilities	1,838	18,401
Other	80,174	66,543
Other current liabilities	\$ 126,224	\$ 128,958

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

	For the year ended July 31,		
	2017	2016	2015
Operating expense	\$ 175,164	\$ 167,980	\$ 174,105
Depreciation and amortization expense	3,909	4,282	5,127
Equipment lease expense	26,299	25,967	22,667
	\$ 205,372	\$ 198,229	\$ 201,899

During fiscal 2016, Ferrellgas committed to a plan to dispose of certain assets in its Midstream operations segment. The held for sale assets were recorded at the lower of carrying value or estimated fair value, less an estimate of costs to sell. The estimate of fair value included significant unobservable inputs (Level 3 fair value). As of July 31, 2016, this plan resulted in 134 trucks sold and 12 trucks remaining classified as held for sale assets. During fiscal 2017, the 12 remaining trucks classified as held for sale assets were repurposed and reclassified to property, plant, and equipment as held for use within other Ferrellgas businesses.

Loss on asset sales and disposal during the year ended July 31, 2017 consists of:

	For the year ended July 31,		
	2017	2016	2015
Loss on assets held for sale	\$—	\$ 12,112	\$—
Loss on sale of assets held for sale	—	1,698	—
Loss on sale of assets and other	14,457	17,025	7,099
Loss on asset sales and disposal	\$ 14,457	\$ 30,835	\$ 7,099

For purposes of the 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 year ended July 31,		
	2017	2016	2015
<b>CASH PAID FOR:</b>			
Interest	\$ 143,441	\$ 133,629	\$ 91,783
Income taxes	\$ 310	\$ 777	\$ 712
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>			
Issuance of common units in connection with acquisitions	\$—	\$—	\$ 262,952
Liabilities incurred in connection with acquisitions	\$ 139	\$ 2,126	\$ 481
Change in accruals for property, plant and equipment additions	\$ 164	\$(1,122)	\$ 498

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

Accounts and notes receivable, net consist of the following:

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	2017	2016
Accounts receivable pledged as collateral	\$ 109,407	\$ 106,464
Accounts receivable	47,346	43,148
Note receivable - Jamex, current portion	10,000	5,000
Other	307	38
Less: Allowance for doubtful accounts	(1,976 )	(5,067 )
Accounts and notes receivable, net	\$ 165,084	\$ 149,583

During July 2016, Ferrellgas executed an amendment to its accounts receivable securitization facility with Wells Fargo Bank, N.A., Fifth Third Bank and SunTrust Bank. This accounts receivable securitization facility has up to \$225.0 million of capacity and matures on the earlier of the Secured Credit Facility maturity date and July 29, 2019. As part of this facility, Ferrellgas, through Ferrellgas Receivables, securitizes a portion of its trade accounts receivable through a commercial paper conduit for proceeds of up to \$225.0 million during the months of January and February \$175.0 million during the months of March, April, November and December and \$145.0 million for all other months, depending on the availability of undivided interests in its accounts receivable from certain customers. At July 31, 2017, \$109.4 million of trade accounts receivable were pledged as collateral against \$69.0 million of collateralized notes payable due to the commercial paper conduit. At July 31, 2016, \$106.5 million of trade accounts receivable were pledged as collateral against \$64.0 million of collateralized notes payable due to the commercial paper conduit. These accounts receivable pledged as collateral are bankruptcy remote from Ferrellgas. Ferrellgas does not provide any guarantee or similar support to the collectability of these accounts receivable pledged as collateral.

Ferrellgas structured Ferrellgas Receivables in order to facilitate securitization transactions while complying with Ferrellgas' various debt covenants. If the covenants were compromised, funding from the facility could be restricted or suspended, or its costs could increase. As of July 31, 2017, Ferrellgas had received cash proceeds of \$69.0 million from trade accounts receivables securitized, with no remaining capacity to receive additional proceeds. As of July 31, 2016, Ferrellgas had received cash proceeds of \$64.0 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 4.0% and 3.0% as of July 31, 2017 and 2016, respectively.

On September 27, 2016, Ferrellgas entered into a fourth amendment to its accounts receivable securitization facility to modify the maximum consolidated leverage ratio covenant.

On April 28, 2017, Ferrellgas entered into a fifth amendment to its accounts receivable securitization facility to modify the maximum consolidated leverage ratio covenant and the interest coverage ratio covenant.

## Consolidated leverage ratio

The consolidated leverage ratio is defined as the ratio of total debt of the operating partnership to trailing four quarters earnings before interest expense, income tax expense, depreciation and amortization expense ("EBITDA") (both as adjusted for certain, specified items) of the operating partnership, as detailed in Ferrellgas' secured credit facility and accounts receivable securitization facility.

On April 28, 2017, the maximum consolidated leverage covenant was modified as follows:

Date	Maximum leverage ratio (prior to fifth amendment)	Maximum leverage ratio (after fifth amendment)

July 31, 2017	6.05	7.75
October 31, 2017	5.95	7.75
January 31, 2018	5.95	7.75
April 30, 2018	5.50	7.75
July 31, 2018 & thereafter	5.50	5.50

Ferrellgas' consolidated leverage ratio was 7.46x as of July 31, 2017; the margin allows for approximately \$67.5 million of additional borrowing capacity or approximately \$8.7 million less EBITDA.

Consolidated interest coverage ratio

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The consolidated interest coverage ratio is defined as the ratio of trailing four quarters EBITDA to interest expense (both as adjusted for certain, specified items) of the operating partnership, as detailed in Ferrellgas' secured credit facility and accounts receivable securitization facility.

On April 28, 2017, the minimum consolidated interest coverage ratio was modified as follows:

Date	Minimum consolidated interest coverage ratio (prior to fifth amendment)	Minimum consolidated interest coverage ratio (after fifth amendment)
July 31, 2017	2.50	1.75
October 31, 2017	2.50	1.75
January 31, 2018	2.50	1.75
April 30, 2018	2.50	1.75
July 31, 2018 & thereafter	2.50	2.50

Ferrellgas' consolidated interest coverage ratio was 1.99x as of July 31, 2017; the margin allows for approximately \$15.9 million of additional interest expense or approximately \$27.8 million less EBITDA. See additional disclosure about Ferrellgas' financial covenants in Note J – Debt.

## I. Goodwill and intangible assets, net

Goodwill and intangible assets, net consist of the following:

	July 31, 2017			July 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Goodwill, net	\$256,103	\$—	\$256,103	\$256,103	\$—	\$256,103
Intangible assets, net						
Amortized intangible assets						
Customer related	\$556,678	\$(397,891)	\$158,787	\$554,030	\$(372,342)	\$181,688
Non-compete agreements	39,875	(27,887)	11,988	39,487	(23,384)	16,103
Permits and favorable lease arrangements	17,225	(3,506)	13,719	17,225	(2,335)	14,890
Other	9,301	(7,144)	2,157	9,301	(6,210)	3,091
	623,079	(436,428)	186,651	620,043	(404,271)	215,772
Unamortized intangible assets						
Trade names & trademarks	64,451	—	64,451	64,413	—	64,413
Total intangible assets, net	\$687,530	\$(436,428)	\$251,102	\$684,456	\$(404,271)	\$280,185

See Note C – Asset impairments for disclosures regarding impairments recorded during fiscal 2016.

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

	Propane operations and related equipment sales	Midstream operations	Total
Balance July 31, 2015	\$ 256,120	\$ 222,627	\$ 478,747
Acquisitions	—	1,358	1,358
Measurement period adjustments	—	(4,115 )	(4,115 )
Dispositions	(17 )	—	(17 )
Impairment	—	(219,870 )	(219,870 )
Balance July 31, 2016	256,103	—	256,103
Acquisitions	—	—	—
Balance July 31, 2017	\$ 256,103	\$ —	\$ 256,103

Customer related intangible assets have estimated lives of 10 to 15 years, permits and favorable lease arrangements have estimated lives of 15 years while non-compete agreements and other intangible assets have estimated lives ranging from two to 10 years. Ferrellgas intends to utilize all acquired trademarks and trade names and does not believe there are any legal, regulatory, contractual, competitive, economical or other factors that would limit their useful lives. Therefore, trademarks and trade names have indefinite useful lives. Customer related intangibles, permits and favorable lease arrangements, non-compete agreements and other intangibles carry a weighted average life of 13, 13, seven years and seven years, respectively.

Aggregate amortization expense  
related to intangible assets, net:

For the year ended July 31,

2017	\$ 32,148
2016	61,970
2015	34,585

Estimated  
amortization  
expense:

For the year  
ended July

31,	
2018	\$ 30,312
2019	27,078
2020	21,200
2021	19,648
2022	16,693

## J. 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 July 31, 2017 and 2016, \$59.8 million and \$101.3 million, respectively, were classified as short-term

borrowings. For further discussion see the secured credit facility section below.

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## Long-term debt

Long-term debt consists of the following:

	2017	2016
Senior notes		
Fixed rate, 6.50%, due 2021 (1)	\$500,000	\$500,000
Fixed rate, 6.75%, due 2023 (4)	500,000	500,000
Fixed rate, 6.75%, due 2022, net of unamortized premium of \$3,166 and \$4,008 at 2017 and 2016, respectively (3)	478,166	479,008
Fixed rate, 8.625%, due 2020, net of unamortized discount of \$5,976 and \$0 at 2017 and 2016, respectively (2)	351,024	182,000
Fair value adjustments related to interest rate swaps	471	5,830
Secured credit facility		
Variable interest rate, expiring October 2018 (net of \$59.8 million and \$101.3 million classified as short-term borrowings at July 31, 2017 and 2016, respectively)	185,719	293,109
Notes payable		
12.0% and 11.8% weighted average interest rate at July 31, 2017 and 2016, respectively, due 2018 to 2022, net of unamortized discount of \$1,128 and \$1,566 at July 31, 2017 and 2016, respectively	5,958	8,484
Total debt, excluding unamortized debt issuance costs	2,021,338	1,968,431
Unamortized debt issuance costs	(22,965 )	(23,175 )
Less: current portion, included in other current liabilities on the consolidated balance sheets	2,578	3,921
Long-term debt	\$1,995,795	\$1,941,335

During November 2010, Ferrellgas issued \$500.0 million in aggregate principal amount of 6.50% senior notes due 2021 at an offering price equal to par. These notes are general unsecured senior obligations of Ferrellgas and are effectively junior to all future senior secured indebtedness of Ferrellgas, to the extent of the value of the assets (1) securing the debt, and are structurally subordinated to all existing and future indebtedness and obligations of the operating partnership. The senior notes bear interest from the date of issuance, payable semi-annually in arrears on May 1 and November 1 of each year. The outstanding principal amount is due on May 1, 2021. Ferrellgas would incur prepayment penalties if it were to repay the notes prior to May 2019.

During January 2017, Ferrellgas issued and sold, in a private placement offering with registration rights, \$175.0 million in aggregate principal amount of additional 8.625% unsecured senior notes due 2020, issued at 96% of par. Ferrellgas contributed the net proceeds from the offering of approximately \$166.1 million to the operating partnership, which used such amounts to repay borrowings under its secured credit facility. In August 2017, Ferrellgas completed an offer to exchange \$175.0 million principal amount of its 8.625% unsecured senior notes (2) due 2020, which were registered under the Securities Act of 1933, as amended, for a like principal amount of its outstanding and unregistered 8.625% unsecured senior notes due 2020. During April 2010, Ferrellgas issued \$280.0 million of its fixed rate senior notes. During March 2011, Ferrellgas redeemed \$98.0 million of these fixed rate senior notes. The unsecured senior notes bear interest from the date of issuance, payable semi-annually in arrears on June 15 and December 15 of each year. Ferrellgas would incur prepayment penalties if it were to repay the note prior to June 2018.

(3) During November 2013, Ferrellgas issued \$325.0 million in aggregate principal amount of 6.75% senior notes due 2022 at an offering price equal to par. Ferrellgas received \$319.3 million of net proceeds after deducting underwriters' fees. Ferrellgas used the net proceeds to redeem all of its \$300.0 million 9.125% fixed rate senior notes due October 1, 2017. Ferrellgas used the remaining proceeds to pay the related \$14.7 million make whole

and consent payments, \$3.3 million in interest payments and to reduce outstanding indebtedness under the secured credit facility. During June 2014, Ferrellgas issued an additional \$150.0 million in aggregate principal amount of 6.75% senior notes due 2022 at an offering price equal to 104% of par. Ferrellgas used the net proceeds for general corporate purposes, including to repay indebtedness under its secured credit facility and to pay related transaction fees and expenses. Ferrellgas would incur prepayment penalties if it were to repay the notes prior to November 2019.

During June 2015, Ferrellgas issued \$500.0 million in aggregate principal amount of 6.75% senior notes due 2023 at an offering price equal to par. The senior notes bear interest from the date of issuance, payable semi-annually in arrears on June 15 and December 15 of each year. The outstanding principal amount is due on June 15, 2023.

(4) Ferrellgas received \$491.3 million of net proceeds after deducting underwriters' fees. Ferrellgas used the net proceeds to fund a portion of the cash portion of the consideration for the acquisition of the outstanding membership interests in Bridger Logistics,

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LLC and its subsidiaries with remaining amounts being used to repay outstanding borrowing under the secured credit facility after the closing of the acquisitions. Ferrellgas would incur prepayment penalties if it were to repay the notes prior to June 2021.

The scheduled annual principal payments on long-term debt are as follows:

For the year ending July 31,	Scheduled annual principal payments
2018	\$2,578
2019	187,644
2020	358,180
2021	501,055
2022	370
Thereafter	974,978
Total	\$2,024,805

## Secured credit facility

During January 2016, Ferrellgas executed a commitment increase supplement to its secured credit facility that increased the size of this facility from \$600.0 million to \$700.0 million. The commitment increase supplement did not change the interest rate or maturity date of the secured credit facility which remains at October, 2018.

On September 27, 2016, Ferrellgas entered into a fifth amendment to its secured credit facility to modify the maximum consolidated leverage ratio covenant.

On April 28, 2017, Ferrellgas entered into a sixth amendment to its secured credit facility to modify the maximum consolidated leverage ratio covenant and the consolidated interest coverage ratio covenant. The amendment to our secured credit facility also (1) reduces the maximum amount available to be borrowed from \$700 million to \$575 million, (2) increases the pricing of loans when our leverage ratio is greater than or equal to 6.00x from LIBOR plus 3.50% to LIBOR plus 3.75% and when our leverage ratio is greater than or equal to 7.00x from LIBOR plus 3.50% to LIBOR plus 4.00%, (3) limits the amount of distributions (other than distributions to Ferrellgas Partners for payments of interest payable on its unsecured notes) that the operating partnership may make to Ferrellgas Partners to \$10 million per quarter (Ferrellgas Partners' current distribution rate is \$9.8 million per quarter) until the leverage ratio is less than 5.50x, (4) reduces the amount of investments we can make when our leverage ratio is greater than 5.50x from \$200 million to \$50 million, and (5) requires us to reduce our secured credit facility with 50% of the net cash proceeds received from any equity sale.

As of July 31, 2017, Ferrellgas had total borrowings outstanding under its secured credit facility of \$245.5 million, of which \$185.7 million was classified as long-term debt. Ferrellgas had \$190.3 million of capacity under the secured credit facility as of July 31, 2017. However, the consolidated leverage ratio covenant under this facility limits additional borrowings to \$67.5 million as of July 31, 2017. As of July 31, 2016, Ferrellgas had total borrowings outstanding under its secured credit facility of \$394.4 million, of which \$293.1 million was classified as long-term debt.

Borrowings outstanding at July 31, 2017 and 2016 under the secured credit facility had a weighted average interest rate of 6.0% and 3.7%, respectively. All borrowings under the secured credit facility bear interest, at Ferrellgas' option, at a rate equal to either:

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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 3.00% (as of July 31, 2017 and 2016, the margin was 2.75% and 1.75%, respectively); or for Eurodollar Rate Loans, the Eurodollar Rate, which is defined as the LIBOR Rate plus a margin varying from 1.75% to 4.00% (as of July 31, 2017 and 2016, the margin was 3.75% and 2.75%, respectively).

As of July 31, 2017, the federal funds rate and Bank of America's prime rate were 1.07% and 4.25%, respectively. As of July 31, 2016, the federal funds rate and Bank of America's prime rate were 0.40% and 3.50%, respectively. As of July 31, 2017, the one-month and three-month Eurodollar Rates were 1.23% and 1.31%, respectively. As of July 31, 2016, the one-month and three-month Eurodollar Rates were 0.48% and 0.68%, respectively.

In addition, an annual commitment fee is payable at a per annum rate range 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.

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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 July 31, 2017 totaled \$139.2 million and were used to secure commodity hedges and product purchases, and to a lesser extent, insurance arrangements. Letters of credit outstanding at July 31, 2016 totaled \$86.3 million and were used primarily to secure insurance arrangements and to a lesser extent, product purchases. At July 31, 2017, Ferrellgas had available letter of credit remaining capacity of \$60.8 million. At July 31, 2016, Ferrellgas had available letter of credit remaining capacity of \$113.7 million. Ferrellgas incurred commitment fees of \$1.1 million, \$1.4 million and \$1.5 million in fiscal 2017, 2016 and 2015, respectively.

### Financial covenants

The indenture governing the outstanding notes of Ferrellgas Partners and the agreements governing the operating partnership's indebtedness contain various covenants that limit Ferrellgas Partners' ability and the ability of specified subsidiaries to, among other things, make restricted payments and incur additional indebtedness. The general partner believes that the most restrictive of these covenants are the consolidated fixed charge coverage ratio, as defined in the indenture governing the outstanding notes of Ferrellgas Partners, and the consolidated leverage ratio and consolidated interest coverage ratio, as defined in the secured credit facility and the accounts receivable securitization facility.

Before a restricted payment (as defined in the secured credit facility and the operating partnership indentures) can be made by the operating partnership, the operating partnership must be in compliance with the consolidated leverage ratio and consolidated interest coverage ratio covenants under the secured credit facility and accounts receivable securitization facility and in compliance with the covenants under the operating partnerships indentures. If the operating partnership is unable to make restricted payments, Ferrellgas Partners will not have the ability to make semi-annual interest payments on its \$357.0 million 8.625% unsecured senior notes due 2020 or distributions to Ferrellgas Partners common unitholders. If Ferrellgas Partners does not make interest payments on its unsecured notes, that would constitute an event of default, which would permit the acceleration of the obligations underlying the indenture, including all outstanding principal owed. The accelerated obligations would become immediately due and payable, which would in turn trigger cross acceleration of other debt. If Ferrellgas' debt obligations are accelerated, Ferrellgas may be unable to borrow sufficient funds to refinance debt in which case unitholders could experience a partial or total loss of their investment.

Before a restricted payment (as defined in the Ferrellgas Partners indenture) can be made by Ferrellgas Partners, Ferrellgas Partners must be in compliance with the consolidated fixed charge coverage ratio covenant under the Ferrellgas Partners indenture. If Ferrellgas Partners is unable to make restricted payments, Ferrellgas Partners will not have the ability to make distributions to Ferrellgas Partners common unitholders.

A breach of the consolidated leverage ratio covenant or the consolidated interest coverage ratio covenant under the secured credit facility and the accounts receivable securitization facility would result in an event of default under those facilities resulting in the operating partnership's inability to obtain funds under those facilities and would give the lenders and receivables purchasers the right to accelerate the operating partnership's obligations under those facilities and to exercise remedies to collect the outstanding amounts under those facilities.

### Consolidated leverage ratio

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The consolidated leverage ratio is defined as the ratio of total debt of the operating partnership to trailing four quarters EBITDA (both as adjusted for certain, defined items) of the operating partnership, as detailed in Ferrellgas' secured credit facility.

On April 28, 2017, the maximum consolidated leverage covenant was modified as follows:

Date	Maximum leverage ratio (prior to sixth amendment)	Maximum leverage ratio (after sixth amendment)
July 31, 2017	6.05	7.75
October 31, 2017	5.95	7.75
January 31, 2018	5.95	7.75
April 30, 2018	5.50	7.75
July 31, 2018 & thereafter	5.50	5.50

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Ferrellgas' consolidated leverage ratio was 7.46x as of July 31, 2017; the margin allows for approximately \$67.5 million of additional borrowing capacity or approximately \$8.7 million less EBITDA. This covenant also restricts Ferrellgas' ability to make distribution payments as discussed above.

## Consolidated interest coverage ratio

The consolidated interest coverage ratio is defined as the ratio of trailing four quarters EBITDA to interest expense (both as adjusted for certain, specified items) of the operating partnership, as detailed in Ferrellgas' secured credit facility and accounts receivable securitization facility.

On April 28, 2017, the minimum consolidated interest coverage ratio was modified as follows:

Date	Minimum consolidated interest coverage ratio (prior to sixth amendment)	Minimum consolidated interest coverage ratio (after sixth amendment)
July 31, 2017	2.50	1.75
October 31, 2017	2.50	1.75
January 31, 2018	2.50	1.75
April 30, 2018	2.50	1.75
July 31, 2018 & thereafter	2.50	2.50

Ferrellgas' consolidated interest coverage ratio was 1.99x at July 31, 2017; the margin allows for approximately \$15.9 million of additional interest expense or approximately \$27.8 million less EBITDA.

## Consolidated fixed charge coverage ratio

The indenture governing the outstanding notes of Ferrellgas Partners includes a consolidated fixed charge coverage ratio test for the incurrence of debt and the making of restricted payments. This covenant requires that the ratio of trailing four quarters EBITDA to interest expense (both as adjusted for certain, specified items) of Ferrellgas Partners be at least 1.75x before a restricted payment (as defined in the indenture) can be made by Ferrellgas Partners. If this ratio were to drop below 1.75x, these indentures allow us to make restricted payments of up to \$50.0 million in total over a 16 quarter period while below this ratio. As of July 31, 2017, the ratio was 1.50x. As a result, the \$9.8 million distribution paid to common unitholders on September 14, 2017 was taken from the \$50.0 million restricted payment limitation, leaving \$40.2 million for future restricted payments. If our consolidated fixed charge coverage ratio does not improve to at least 1.75x and we continue our current quarterly distribution rate of \$0.10 per common unit, this covenant will not allow us to make common unit distributions for our quarter ending October 31, 2018 and beyond.

## Debt and interest expense reduction strategy

Ferrellgas continues to execute on a strategy to reduce its debt and interest expense. This strategy may include issuance of equity, amending existing debt agreements, asset sales or a further reduction in Ferrellgas Partners' annual distribution, which was reduced during the quarter ended October 31, 2016 from an annualized rate of \$2.05 to \$0.40 per common unit. Ferrellgas believes any debt and interest expense reduction strategies would remain in effect until

Ferrellgas' consolidated leverage ratio reaches 4.5x or a level Ferrellgas deems appropriate for its business.

If Ferrellgas is unsuccessful with its strategy to reduce debt and interest expense, or is unsuccessful in renegotiating its secured credit facility, which matures in October 2018, or is unable to secure alternative liquidity sources, it may not have the liquidity to fund its operations after that maturity date.

Failure to maintain compliance with these and other covenants in our agreements or failure to renew or replace liquidity available under the secured credit facility could have a material effect on Ferrellgas' operating capacity and cash flows and could further restrict Ferrellgas' ability to incur debt, pay interest on the notes or to make cash distributions to unitholders. An inability to pay interest on the notes could result in an event of default that would permit the acceleration of all of Ferrellgas' indebtedness. The accelerated debt would become immediately due and payable, which would in turn trigger cross-acceleration under other debt. If the payment of Ferrellgas' debt is accelerated, Ferrellgas' assets may be insufficient to repay such debt in full and Ferrellgas may be unable to borrow sufficient funds to refinance debt, in which case the unitholders could experience a partial or total loss of their investment.

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Further, if Ferrellgas is unsuccessful in renegotiating our secured credit facility prior to the issuance of its first quarter Form 10-Q for the three month period ending October 31, 2017, the entire balance outstanding under the secured credit facility will be considered a current liability and, in the absence of a plan to renew or refinance this debt, that condition may raise substantial doubt about Ferrellgas' ability to continue as a going concern. Either of these events could lead to rating agency downgrades, decreases in trade credit and increased collateral requirements from Ferrellgas' counterparties.

## Interest rate swaps

In May 2012, Ferrellgas entered into a \$140.0 million interest rate swap agreement to hedge against changes in fair value on a portion of its \$500.0 million 6.5% fixed rate senior notes due 2021. Ferrellgas receives 6.5% and pays a one-month LIBOR plus 4.715%, on the \$140.0 million swapped. Ferrellgas accounts for this agreement as a fair value hedge.

In May 2012, Ferrellgas entered into a forward interest rate swap agreement to hedge against variability in forecasted interest payments on Ferrellgas' secured credit facility and collateralized note payable borrowings under the accounts receivable securitization facility. From August 2015 through July 2017, Ferrellgas paid 1.95% and received variable payments based on one-month LIBOR for the notional amount of \$175.0 million. From August 2017 through July 2018, Ferrellgas will pay 1.95% and receive variable payments based on one-month LIBOR for the notional amount of \$100.0 million. Ferrellgas accounts for this agreement as a cash flow hedge.

## K. Partners' deficit

As of July 31, 2017 and 2016, limited partner units were beneficially owned by the following:

	2017	2016
Public common unitholders (1)	69,612,939	70,462,939
Ferrell Companies (2)	22,529,361	22,529,361
FCI Trading Corp. (3)	195,686	195,686
Ferrell Propane, Inc. (4)	51,204	51,204
James E. Ferrell (5)	4,763,475	4,763,475

(1) These common units are listed on the New York Stock Exchange under the symbol "FGP."

Ferrell Companies is the owner of the general partner and an approximate 23.0% direct owner of Ferrellgas

(2) Partner's 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' total beneficial ownership to 23.4%.

(3) FCI Trading is an affiliate of the general partner and thus a related party.

(4) Ferrell Propane is controlled by the general partner and thus a related party.

James E. Ferrell is the Interim Chief Executive Officer and President of our general partner; and is the Chairman of the Board of Directors of our general partner and a related party. JEF Capital Management owns 4,758,859 of these

(5) 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 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.

Together these limited partner units represent Ferrellgas Partner's limited partners' interest and an effective 98% economic interest in Ferrellgas Partners, exclusive of the general partners' incentive distribution rights. The general partner has an effective 2% interest in Ferrellgas Partners, excluding incentive distribution rights. Since ongoing

distributions have not yet reached the levels required to commence payment of incentive distribution rights to the general partner, distributions to the partners from operations or interim capital transactions will generally be made in accordance with the above percentages. In liquidation, allocations and distributions will be made in accordance with each common unitholder's positive capital account.

The common units of Ferrellgas Partners represent limited partner interests in Ferrellgas Partners, which give the holders thereof the right to participate in distributions made by Ferrellgas Partners and to exercise the other rights or privileges available to such holders under the Fourth Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P. dated February 18, 2003, as amended (the "Partnership Agreement"). Under the terms of the Partnership Agreement, holders of common units have limited voting rights on matters affecting the business of Ferrellgas Partners. Generally, persons owning 20% or more of Ferrellgas Partners' outstanding common units cannot vote; however, this limitation does not apply to those common units owned by the general partner or its "affiliates," as such term is defined in the Partnership Agreement.

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The Partnership Agreement allows the general partner to issue an unlimited number of additional Ferrellgas general and limited partner interests of Ferrellgas Partners for such consideration and on such terms and conditions as shall be established by the general partner without the approval of any unitholders.

## Partnership distributions paid by Ferrellgas Partners

	For the year ended July 31,		
	2017	2016	2015
Public common unitholders	\$56,561	\$145,666	\$111,163
Ferrell Companies	18,305	46,184	45,059
FCI Trading Corp.	160	400	392
Ferrell Propane, Inc.	41	104	104
James E. Ferrell	3,869	9,764	8,717
General partner	797	2,042	1,670
	\$79,733	\$204,160	\$167,105

On August 22, 2017, Ferrellgas Partners declared a cash distribution of \$0.10 per common unit for the three months ended July 31, 2017, which was paid on September 14, 2017. Included in this cash distribution were the following amounts paid to related parties:

Ferrell Companies	\$2,253
FCI Trading Corp.	20
Ferrell Propane, Inc.	5
James E. Ferrell	476
General partner	98

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

## Common unit issuances

During fiscal 2015, in a non-brokered registered direct offering, which units are subject to certain contractual transfer restrictions, Ferrellgas issued to Ferrell Companies, Inc. and the former owners of two salt water disposal wells from C&E Production, LLC ("C&E") and its affiliates an aggregate of 1.5 million common units for an aggregate purchase price of \$42.0 million. Ferrellgas used these proceeds to pay down a portion of the borrowing under the secured credit facility used to fund the C&E salt water disposal wells acquisition as well as propane operations and related equipment sales acquisitions completed in fiscal 2014.

During fiscal 2015, Ferrellgas issued 6.3 million common units in a public offering valued at \$139.1 million, after deducting for issuance costs. The net proceeds from this offering were used to partially fund the acquisition of Bridger.

During fiscal 2015, Ferrellgas issued 11.3 million common units valued at \$260.0 million in connection with the acquisitions of Bridger and propane distribution assets.

## Common unit repurchases

During September, 2016, Ferrellgas paid approximately \$16.9 million to Jamex Marketing, LLC, and in return received approximately 0.9 million Ferrellgas Partners' common units, which were cancelled upon receipt, and approximately 23 thousand barrels of crude oil.

During November, 2015, Ferrellgas repurchased approximately 2.4 million common units from Jamex Marketing, LLC, for approximately \$45.9 million.

Accumulated Other Comprehensive Income (Loss) (“AOCI”)

See Note M – Derivative instruments and hedging activities – for details regarding changes in fair value on risk management financial derivatives recorded within AOCI for the years ended July 31, 2017 and 2016.

General partner’s commitment to maintain its capital account

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

During fiscal 2017, the general partner made cash contributions of \$1.7 million and non-cash contributions of \$0.4 million to Ferrellgas to maintain its effective 2% general partner interest.

During fiscal 2016, the general partner made non-cash contributions of \$0.7 million to Ferrellgas to maintain its effective 2% general partner interest.

## L. Fair value measurements

## Derivative Financial Instruments

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 July 31, 2017 and 2016:

	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
July 31, 2017:				
Assets:				
Derivative financial instruments:				
Interest rate swap agreements	\$-\$ 583	\$	—	—\$583
Commodity derivatives	\$-\$ 16,212	\$	—	—\$16,212
Liabilities:				
Derivative financial instruments:				
Interest rate swap agreements	\$-\$ (707 )	\$	—	—\$(707 )
Commodity derivatives	\$-\$ (1,258 )	\$	—	—\$(1,258 )
July 31, 2016:				
Assets:				
Derivative financial instruments:				
Interest rate swap agreements	\$-\$ 5,830	\$	—	—\$5,830
Commodity derivatives	\$-\$ 8,241	\$	—	—\$8,241
Liabilities:				
Derivative financial instruments:				
Interest rate swap agreements	\$-\$ (3,553 )	\$	—	—\$(3,553 )
Commodity derivatives	\$-\$ (17,689 )	\$	—	—\$(17,689 )

Methodology

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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.

### 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. The estimated fair value of the Jamex note receivable, a financial instrument classified in "Other assets, net" on the consolidated balance sheet, is approximately \$38.4 million, or \$4.3 million less than its carrying amount as of July 31, 2017. The estimated fair value of the Jamex note receivable was calculated using a discounted cash flow method which relied on significant unobservable inputs. At July 31, 2017 and July 31, 2016, the estimated fair value of Ferrellgas' long-term debt instruments was \$1,966.6 million and \$1,920.1 million, respectively. Ferrellgas estimates the fair value of long-term debt based on quoted market prices. The fair value of Ferrellgas' consolidated debt obligations is a Level 2 valuation based on the observable inputs used for similar liabilities.

At July 31, 2016, Ferrellgas had receivables from Jamex totaling \$44.8 million. As described in Note D – Significant transactions, on September 1, 2016, Ferrellgas entered into a group of agreements with Jamex which, among other things, Jamex agreed to execute and deliver a secured promissory note ("Jamex Secured Promissory Note") in favor of Bridger in satisfaction of all obligations owed to Bridger under the Jamex TLA, including the \$44.8 million owed to Ferrellgas on July 31, 2016. The Jamex Secured Promissory Note is guaranteed pursuant to a guaranty agreement, jointly by James Ballengee and Bacchus (up to a maximum aggregate amount of \$20.0 million), and fully guaranteed by the other Jamex entities. The obligations of Jamex and the other Jamex entities under the Notes are secured, pursuant to a Security Agreement, by a lien on certain of those entities' assets, actively traded marketable securities and cash, which are held in a controlled account that can be seized by Ferrellgas in the event of default.

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.

### M. 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 year ended July 31, 2017 and 2016, Ferrellgas did not recognize any gain or loss in earnings related to hedge ineffectiveness and did not exclude any component of financial derivative contract gains or losses from the assessment of hedge effectiveness related to commodity cash flow hedges.





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The following tables provide a summary of the fair value of derivatives within Ferrellgas' consolidated balance sheets as of July 31, 2017 and 2016:

Derivative Instrument	July 31, 2017		Liability Derivatives	
	Asset Derivatives	Fair value	Location	Fair value
Derivatives designated as hedging instruments	Location			
Commodity derivatives-propane	Prepaid expenses and other current assets	\$11,061	Other current liabilities	\$415
Commodity derivatives-propane	Other assets, net	4,413	Other liabilities	15
Interest rate swap agreements	Prepaid expenses and other current assets	583	Other current liabilities	595
Interest rate swap agreements	Other assets, net	—	Other liabilities	112
Derivatives not designated as hedging instruments				
Commodity derivatives-crude oil	Prepaid expenses and other current assets	738	Other current liabilities	828
	Total	\$16,795	Total	\$1,965

Derivative Instrument	July 31, 2016		Liability Derivatives	
	Asset Derivatives	Fair value	Location	Fair value
Derivatives designated as hedging instruments	Location			
Commodity derivatives-propane	Prepaid expenses and other current assets	\$2,263	Other current liabilities	\$10,184
Commodity derivatives-propane	Other assets, net	3,056	Other liabilities	1,597
Interest rate swap agreements	Prepaid expenses and other current assets	1,654	Other current liabilities	2,309
Interest rate swap agreements	Other assets, net	4,176	Other liabilities	1,244
Derivatives not designated as hedging instruments				
Commodity derivatives-vehicle fuel	Prepaid expenses and other current assets	—	Other current liabilities	3,996
Commodity derivatives-crude oil	Prepaid expenses and other current assets	2,922	Other current liabilities	1,912
	Total	\$14,071	Total	\$21,242

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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. Liabilities represent cash margin deposits received by Ferrellgas for contracts that are in a positive mark-to-market position. The following tables provide a summary of cash margin balances as of July 31, 2017 and July 31, 2016, respectively:

		July 31, 2017		
		Assets	Liabilities	
Description	Location	Amount	Location	Amount
Margin Balances	Prepaid expense and other current assets	\$ 1,778	Other current liabilities	\$ 7,729
	Other assets, net	1,631	Other liabilities	3,073
		\$ 3,409		\$ 10,802

  

		July 31, 2016		
		Assets	Liabilities	
Description	Location	Amount	Location	Amount
Margin Balances	Prepaid expense and other current assets	\$ 8,252	Other current liabilities	\$—
	Other assets, net	1,275	Other liabilities	—
		\$ 9,527		\$—

The following table provides a summary of the effect on Ferrellgas' consolidated statements of comprehensive income for the years ended July 31, 2017, 2016 and 2015 due to derivatives designated as fair value hedging instruments:

Derivative Instrument	Location of Gain Recognized on Derivative	Amount of Gain Recognized on Derivative For the year ended July			Amount of Interest Expense Recognized on Fixed-Rated Debt (Related Hedged Item) For the year ended July 31,		
		2017	2016	2015	2017	2016	2015
Interest rate swap agreements	Interest expense	\$ 1,319	\$ 1,919	\$ 1,892	\$ (9,100)	\$ (9,100)	\$ (9,100)

The following tables provide a summary of the effect on Ferrellgas' consolidated statements of comprehensive income for the years ended July 31, 2017, 2016 and 2015 due to derivatives designated as cash flow hedging instruments:

		For the year ended July 31, 2017		
		Amount of Gain (Loss) Recognized in OCI	Amount of Gain (Loss) Reclassified from AOCI into Income	
Derivative Instrument	Location of Gain (Loss) Recognized in OCI	Amount of Gain (Loss) Recognized in OCI	Effective portion	Ineffective portion
Commodity derivatives	Cost of product sold- propane and other gas liquids sales	\$ 21,659	\$ 154	\$ —
Interest rate swap agreements	Interest expense	866	(2,092)	—
		\$ 22,525	\$ (1,938)	\$ —

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For the year ended July 31, 2016

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	\$4,409	Cost of product sold- propane and other gas liquids sales	\$(24,438)	\$ —
Interest rate swap agreements	(2,620 )	Interest expense	(2,864 )	—
	\$1,789		\$(27,302)	\$ —

For the year ended July 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	\$(70,291)	Cost of product sold- propane and other gas liquids sales	\$(28,059)	\$ —
Interest rate swap agreements	(3,356 )	Interest expense	—	(199 )
	\$(73,647)		\$(28,059)	\$(199 )

The following table provides a summary of the effect on Ferrellgas' consolidated statements of comprehensive income for the year ended July 31, 2017, 2016 and 2015 due to the change in fair value of derivatives not designated as hedging instruments:

Derivatives Not Designated as Hedging Instruments	For the year ended July 31, 2017	
	Amount of Gain (Loss) Recognized in Income	Location of Gain (Loss) Reclassified in Income
Commodity derivatives - crude oil	\$(425 )	Cost of sales - midstream operations
Commodity derivatives - vehicle fuel	\$1,090	Operating expense

Derivatives Not Designated as Hedging Instruments	For the year ended July 31, 2016	
	Amount of Gain	Location of Gain (Loss) Reclassified in Income

	(Loss)	
	Recognized	
	in	
	Income	
Commodity derivatives - crude oil	\$1,084	Cost of sales - midstream operations
Commodity derivatives - vehicle fuel	\$(4,351)	Operating expense
	For the year ended July 31, 2015	
	Amount	
	of Gain	
Derivatives Not Designated as Hedging Instruments	(Loss)	Location of Gain (Loss) Reclassified in Income
	Recognized	
	in	
	Income	
Commodity derivatives - vehicle fuel	\$(2,412)	Operating expense

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The changes in derivatives included in accumulated other comprehensive income (loss) (“AOCI”) for the years ended July 31, 2017, 2016 and 2015 were as follows:

	For the year ended July 31,		
	2017	2016	2015
Gains and losses on derivatives included in AOCI			
Beginning balance	\$(9,815 )	\$(38,906)	\$6,483
Change in value on risk management commodity derivatives	21,659	4,409	(70,291 )
Reclassification of gains and losses of commodity hedges to cost of product sold - propane and other gas liquids sales, net	(154 )	24,438	28,059
Change in value on risk management interest rate derivatives	866	(2,620 )	(3,356 )
Reclassification of gains and losses on interest rate hedges to interest expense	2,092	2,864	199
Ending balance	\$14,648	\$(9,815 )	\$(38,906)

Ferrellgas expects to reclassify net gains of approximately \$10.7 million to earnings during the next 12 months. These net gains 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 years ended July 31, 2017, 2016 and 2015, Ferrellgas had no reclassifications to operations resulting from discontinuance of any cash flow hedges arising from the probability of the original forecasted transactions not occurring within the originally specified period of time defined within the hedging relationship.

As of July 31, 2017, Ferrellgas had financial derivative contracts covering 3.3 million barrels of propane that were entered into as cash flow hedges of forward and forecasted purchases of propane.

As of July 31, 2017, Ferrellgas had financial derivative contracts covering 0.2 million barrels of crude oil related to the hedging of crude oil line fill and inventory.

#### 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 reduce 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 July 31, 2017, 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 \$15.0 million.

Ferrellgas holds certain derivative contracts that have credit-risk-related contingent features which dictate credit limits based upon Ferrellgas' debt rating. As of July 31, 2017, a downgrade Ferrellgas' debt rating could trigger a reduction in credit limit and would result in an additional collateral requirement of zero. There were no derivatives with credit-risk-related contingent features in a liability position on July 31, 2017 and the operating partnership had posted no collateral in the normal course of business related to such derivatives.

#### N. 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 consolidated statements of operations as follows:

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	For the year ended July 31,		
	2017	2016	2015
Operating expense	\$228,969	\$230,437	\$217,742
General and administrative expense	\$31,068	\$30,239	\$27,278

During the period in which Jamex Marketing, LLC owned at least 5% of the outstanding common units, we entered into the following transactions: on November 13, 2015, we repurchased approximately 2.4 million common units from Jamex Marketing, LLC, for approximately \$45.9 million; and, pursuant to the Jamex TLA, Bridger provided crude oil logistics services for Jamex Marketing, LLC, including the purchase, sale, transportation and storage of crude oil by truck, terminal and pipeline. During 2016, and 2015 Ferrellgas' total revenues from Jamex was \$62.6 million and \$9.4 million, respectively. During 2016 and 2015, Ferrellgas' total cost of sales from Jamex was \$3.4 million and \$8.4 million, respectively. The amounts due from and due to Jamex Marketing, LLC at July 31, 2016 were \$44.8 million and \$0.0 million, respectively. Jamex Marketing, LLC did not own 5% or more of Ferrellgas' outstanding common units during 2017, thus they are not disclosed as a related party during the year.

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

#### O. 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 been named as a defendant, along with a competitor, in putative class action lawsuits filed in multiple jurisdictions. The lawsuits, which were consolidated in the Western District of Missouri on October 16, 2014, allege that Ferrellgas and a competitor coordinated in 2008 to reduce the fill level in barbecue cylinders and combined to persuade a common customer to accept that fill reduction, resulting in increased cylinder costs to direct customers 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. The Federal Court for the Western District of Missouri has dismissed all claims brought by direct and indirect customers other than state law claims of indirect customers under Wisconsin, Maine and Vermont law. The direct customer plaintiffs filed an appeal, which resulted in a reversal of the district court's dismissal. We intend to file a petition for a writ of certiorari with the U.S. Supreme Court. The direct customer plaintiffs have agreed to a stay of the case pending a decision on the petition and, if granted, the appeal. An appeal by the indirect customer plaintiffs remains pending. 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. Plaintiffs voluntarily dismissed these claims in exchange for a waiver of costs.

Ferrellgas has been named, along with several current and former officers, in several class action lawsuits alleging violations of certain securities laws based on alleged materially false and misleading statements in certain of our public disclosures. The lawsuits, the first of which was filed on October 6, 2016 in the Southern District of New York, seek unspecified compensatory damages. Derivative lawsuits with similar allegations have been filed naming Ferrellgas and several current and former officers and directors as defendants. Ferrellgas believes that it has defenses and will vigorously defend these cases. Ferrellgas does not believe loss is probable or reasonably estimable at this time related to the putative class action lawsuits or the derivative action.

On October 21, 2016, Julio E. Rios II, an Executive Vice President of the general partner and the President and Chief Executive Officer of Bridger Logistics, LLC, and Jeremy H. Gamboa, also an Executive Vice President of the general partner and the Chief Operating Officer of Bridger Logistics, LLC, both delivered notice of "good reason" for resignation to the general partner pursuant to their employment agreements alleging that the general partner had materially diminished their responsibilities and stating their intention to resign as a result if such purported material diminution was not cured within 30 days.

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On November 28, 2016, Mr. Rios and Mr. Gamboa each resigned from their positions, purportedly for "good reason" pursuant to their employment agreements and made a claim for severance. In September 2017 Ferrellgas reached a settlement with Mr. Rios and Mr. Gamboa.

Ferrellgas and Bridger Logistics, LLC, have been named, along with two former officers, in a lawsuit filed by Eddystone Rail Company ("Eddystone") on February 2, 2017 in the Eastern District of Pennsylvania (the "EDPA Lawsuit"). Eddystone indicated that it has prevailed or settled an arbitration against Jamex Transfer Services ("JTS"), then named Bridger Transfer Services, a former subsidiary of Bridger Logistics, LLC ("Bridger"). The arbitration involved a claim against JTS for money due for deficiency payments under a contract for the use of an Eddystone facility used to offload crude from rail onto barges. Eddystone alleges that Ferrellgas transferred assets out of JTS prior to the sale of the membership interest in JTS to Jamex Transfer Holdings, and that those transfers should be avoided so that the assets can be used to satisfy the amount owed by JTS to Eddystone under the arbitration. Eddystone also alleges that JTS was an "alter ego" of Bridger, and that Bridger therefore should be responsible for the amount owed pursuant to the arbitration. Ferrellgas believes that Ferrellgas and Bridger have valid defenses to these claims and to Eddystone's primary claim against JTS on the contract claim. The lawsuit does not specify a specific amount of damages that Eddystone is seeking; however, Ferrellgas believes that the amount of such damage claims, if ultimately owed to Eddystone, likely would be material to Ferrellgas. Ferrellgas intends to vigorously defend this claim. The lawsuit is in its very early stages; as such, management does not currently believe a loss is probable or reasonably estimable at this time. On August 24, 2017, Eddystone filed a third-party complaint against JTS, Jamex Transfer Holdings, and other related persons and entities, asserting claims for breach of contract, indemnification of any losses in the EDPA Lawsuit, tortious interference with contract, and contribution.

### Long-term debt-related commitments

Ferrellgas has long and short-term payment obligations under agreements such as senior notes and its secured credit facility. See Note J – Debt – for a description of these debt obligations and a schedule of future maturities.

### Operating lease commitments and buyouts

Ferrellgas leases certain property, plant and equipment under non-cancelable and cancelable operating leases. Amounts shown in the table below represent minimum lease payment obligations under Ferrellgas' third-party operating leases with terms in excess of one year for the periods indicated. These arrangements include the leasing of transportation equipment, property, computer equipment and propane tanks. Ferrellgas accounts for these arrangements as operating leases.

Ferrellgas is required to recognize a liability for the fair value of guarantees. The only material guarantees Ferrellgas has are associated with residual value guarantees of operating leases. Most of the operating leases involving Ferrellgas' transportation equipment contain residual value guarantees. These transportation equipment lease arrangements are scheduled to expire over the next seven fiscal years. Most of these arrangements provide that the fair value of the equipment will equal or exceed a guaranteed amount, or Ferrellgas will be required to pay the lessor the difference. The fair value of these residual value guarantees was \$1.4 million as of July 31, 2017. Although the fair values of the underlying equipment at the end of the lease terms have historically exceeded these guaranteed amounts, the maximum potential amount of aggregate future payments Ferrellgas could be required to make under these leasing arrangements, assuming the equipment is worthless at the end of the lease term, was \$7.9 million as of July 31, 2017. Ferrellgas does not know of any event, demand, commitment, trend or uncertainty that would result in a material change to these arrangements.

Operating lease buyouts represent the maximum amount Ferrellgas would pay if it were to exercise its right to buyout the assets at the end of their lease term.

The following table summarizes Ferrellgas' contractual operating lease commitments and buyout obligations as of July 31, 2017:

	Future minimum rental and buyout amounts by fiscal year					
	2018	2019	2020	2021	2022	Thereafter
Operating lease obligations	\$42,083	\$32,992	\$24,959	\$18,617	\$11,886	\$13,072
Operating lease buyouts	\$3,095	\$4,205	\$2,937	\$3,302	\$6,086	\$5,069

Rental expense under these leases totaled \$50.0 million, \$49.2 million and \$45.0 million for fiscal 2017, 2016 and 2015, respectively.

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## P. Employee benefits

Ferrellgas has no employees and is managed and controlled by its general partner. Ferrellgas assumes all liabilities, which include specific liabilities related to the following employee benefit plans for the benefit of the officers and employees of the general partner.

Ferrell Companies makes contributions to the ESOT, which causes a portion of the shares of Ferrell Companies owned by the ESOT to be allocated to employees' accounts over time. The allocation of Ferrell Companies' shares to employee accounts causes a non-cash compensation charge to be incurred by Ferrellgas, equivalent to the fair value of such shares allocated. This non-cash compensation charge is reported separately in Ferrellgas' consolidated statements of operations and thus excluded from operating and general and administrative expenses. The non-cash compensation charges were \$15.1 million, \$27.6 million and \$24.7 million during fiscal 2017, 2016 and 2015, respectively. Ferrellgas is not obligated to fund or make contributions to the ESOT.

The general partner and its parent, Ferrell Companies, have a defined contribution profit-sharing plan which includes both profit sharing and matching contribution features. The plan covers substantially all full time employees. The plan, which qualifies under section 401(k) of the Internal Revenue Code, also provides for matching contributions under a cash or deferred arrangement based upon participant salaries and employee contributions to the plan. Matching contributions for fiscal 2017, 2016 and 2015 were \$4.2 million, \$4.0 million and \$3.9 million, respectively.

The general partner has a defined benefit plan that provides participants who were covered under a previously terminated plan with a guaranteed retirement benefit at least equal to the benefit they would have received under the terminated plan. Until July 31, 1999, benefits under the terminated plan were determined by years of credited service and salary levels. As of July 31, 1999, years of credited service and salary levels were frozen. The general partner's funding policy for this plan is to contribute amounts deductible for Federal income tax purposes and invest the plan assets primarily in corporate stocks and bonds, U.S. Treasury bonds and short-term cash investments. During fiscal 2017, 2016 and 2015, other comprehensive income and other liabilities were adjusted by \$0.5 million, \$(0.3) million and \$(0.2) million, respectively.

## Q. Net earnings (loss) per common unitholders' interest

Below is a calculation of the basic and diluted net earnings per common unitholders' interest in the consolidated statements of operations for the periods indicated. In accordance with guidance issued by the FASB regarding participating securities and the two-class method, Ferrellgas calculates net earnings per common unitholders' interest for each period presented according to distributions declared and participation rights in undistributed earnings, as if all of the earnings or loss for the period had been distributed. Due to the seasonality of Ferrellgas' 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.

Quarterly distribution per common unit	Ratio of total distributions payable to:	
	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 not a dilutive effect resulting from this guidance on basic and diluted net earnings per common unitholders' interest for fiscal 2017, 2016 and 2015.

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 the Ferrellgas Partners' partnership agreement that would apply to periods in which there were no undistributed earnings. Additionally, in periods with net losses, there are no dilutive securities.

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	For the year ended July 31,		
	2017	2016	2015
Common unitholders' interest in net earnings (loss)	\$(53,665)	\$(658,761)	\$29,324
Weighted average common units outstanding (in thousands)	97,229.5	98,682.8	84,646.2
Dilutive securities	—	—	6.7
Weighted average common units outstanding plus dilutive securities	97,229.5	98,682.8	84,652.9
Basic and diluted net earnings (loss) per common unitholders' interest	\$(0.55)	\$(6.68)	\$0.35

## R. Segment reporting

Ferrellgas has two primary operations that result in two reportable operating segments: propane operations and related equipment sales and midstream operations.

The chief operating decision maker evaluates the operating segments using an Adjusted EBITDA performance measure which is based on earnings (loss) before income tax expense (benefit), interest expense, depreciation and amortization expense, non-cash employee stock ownership plan compensation charge, non-cash stock-based compensation charge, asset impairments, loss sale of assets and disposal, other income (expense), net, change in fair value of contingent consideration, severance costs, litigation accrual and related legal fees associated with a class action lawsuit, acquisition and transition expenses, unrealized (non-cash) losses (gains) on changes in fair value of derivatives not designated as hedging instruments and net earnings (loss) attributable to noncontrolling interests. 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 attributable to Ferrellgas Partners L.P., which is its nearest comparable GAAP measure, is included in the tables below. In management's evaluation of performance, certain costs, such as compensation for 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.

The propane operations 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 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, and rail assets form a comprehensive, fee-for-service business model, and the majority 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. Water solutions generates income primarily through the operation of salt water disposal wells in the Eagle Ford shale region of south Texas. Oil

and natural gas wells generate significant volumes of salt water, which are transported by truck or pipeline to salt water disposal wells where a combination of gravity and chemicals are used to separate and capture crude oil that is residual in the salt water. The crude oil is sold and the salt water is injected into underground geologic formations.

Until April 2017, Ferrellgas utilized a structure that included two reportable segments which included propane operations and related equipment sales segment and midstream operations - crude oil logistics segment. The results from midstream operations - water solutions segment, were reported within Corporate and other. As a result of a change in the way management is evaluating results and allocating resources, results of the water solutions business are now included in the Midstream operations segment for all periods presented.

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Following is a summary of segment information for the years ended July 31, 2017, 2016 and 2015.

	Year Ended July 31, 2017			
	Propane operations and related equipment sales	Midstream operations	Corporate	Total
Segment revenues	\$1,463,574	\$466,703	\$—	\$1,930,277
Direct costs (1)	1,198,150	458,851	43,213	1,700,214
Adjusted EBITDA	\$265,424	\$7,852	\$(43,213)	\$230,063

	Year Ended July 31, 2016			
	Propane operations and related equipment sales	Midstream operations	Corporate	Total
Segment revenues	\$1,414,129	\$625,238	\$—	\$2,039,367
Direct costs (1)	1,127,382	521,487	45,768	1,694,637
Adjusted EBITDA	\$286,747	\$103,751	\$(45,768)	\$344,730

	Year Ended July 31, 2015			
	Propane operations and related equipment sales	Midstream operations	Corporate	Total
Segment revenues	\$1,917,201	\$107,189	\$—	\$2,024,390
Direct costs (1)	1,591,404	93,070	39,732	1,724,206
Adjusted EBITDA	\$325,797	\$14,119	\$(39,732)	\$300,184

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



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

	Year Ended July 31,		
	2017	2016	2015
Net earnings (loss) attributable to Ferrellgas Partners, L.P.	\$(54,207 )	\$(665,415 )	\$29,620
Income tax benefit	(1,143 )	(36 )	(315 )
Interest expense	152,485	137,937	100,396
Depreciation and amortization expense	103,351	150,513	98,579
EBITDA	200,486	(377,001 )	228,280
Non-cash employee stock ownership plan compensation charge	15,088	27,595	24,713
Non-cash stock-based compensation charge	3,298	9,324	25,982
Asset impairments	—	658,118	—
Loss on asset sales and disposals	14,457	30,835	7,099
Other (income) expense, net	(1,474 )	(110 )	350
Change in fair value of contingent consideration	—	(100 )	(6,300 )
Severance costs	1,959	1,453	—
Litigation accrual and related legal fees associated with a class action lawsuit	—	—	806
Acquisition and transition expenses	—	99	16,373
Unrealized (non-cash) loss (gains) on changes in fair value of derivatives	(3,457 )	1,137	2,412
Net earnings (loss) attributable to noncontrolling interest	(294 )	(6,620 )	469
Adjusted EBITDA	\$230,063	\$344,730	\$300,184

Following are total assets by segment:

	July 31, 2017	July 31, 2016
Assets		
Propane operations and related equipment sales	\$1,194,905	\$1,202,214
Midstream operations	399,356	444,126
Corporate	15,708	36,966
Total consolidated assets	\$1,609,969	\$1,683,306

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Following are capital expenditures by segment (unaudited):

Year Ended July 31, 2017

Propane  
operations  
and Midstream  
related operations Corporate Total  
equipment  
sales

Capital expenditures:

Maintenance	\$13,330	\$ 734	\$ 3,074	\$17,138
Growth	28,912	315	—	29,227
Total	\$42,242	\$ 1,049	\$ 3,074	\$46,365

Year Ended July 31, 2016

Propane  
operations  
and Midstream  
related operations Corporate Total  
equipment  
sales

Capital expenditures:

Maintenance	\$13,487	\$ 621	\$ 2,769	\$16,877
Growth	32,906	63,152	—	96,058
Total	\$46,393	\$ 63,773	\$ 2,769	\$112,935

Year Ended July 31, 2015

Propane  
operations  
and Midstream  
related operations Corporate Total  
equipment  
sales

Capital expenditures:

Maintenance	\$16,020	\$ 1,072	\$ 2,357	\$19,449
Growth	36,958	13,430	—	50,388
Total	\$52,978	\$ 14,502	\$ 2,357	\$69,837

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## S. Quarterly data (unaudited)

The following summarized unaudited quarterly data includes all adjustments (consisting only of normal recurring adjustments, with the exception of those items indicated below), which Ferrellgas considers necessary for a fair presentation. Due to the seasonality of the propane distribution business, first and fourth quarter Revenues, gross margin from propane and other gas liquids sales, Net earnings (loss) attributable to Ferrellgas Partners and common unitholders' interest in net earnings (loss) are consistently less than the second and third quarter results. Other factors affecting the results of operations include competitive conditions, demand for product, timing of acquisitions, variations in the weather and fluctuations in propane prices. The sum of basic and diluted net earnings (loss) per common unitholders' interest by quarter may not equal the basic and diluted net earnings (loss) per common unitholders' interest for the year due to variations in the weighted average units outstanding used in computing such amounts.

For the year ended July 31, 2017	First quarter	Second quarter	Third quarter	Fourth quarter
Revenues	\$379,542	\$579,250	\$538,109	\$433,376
Gross margin from propane and other gas liquids sales (a)	123,187	202,346	171,950	126,774
Gross margin from midstream operations (b)	13,402	9,763	7,909	6,190
Net earnings (loss)	(43,471 )	38,528	6,691	(56,249 )
Net earnings (loss) attributable to Ferrellgas Partners, L.P.	(43,073 )	38,098	6,536	(55,768 )
Common unitholders' interest in net earnings (loss)	(42,642 )	37,717	6,470	(55,210 )
Basic and diluted net earnings (loss) per common unitholders' interest	\$(0.44 )	\$0.39	\$0.07	\$(0.57 )

For the year ended July 31, 2016	First quarter	Second quarter	Third quarter	Fourth quarter
Revenues	\$471,146	\$649,238	\$509,472	\$409,511
Gross margin from propane and other gas liquids sales (a)	123,550	202,027	186,668	125,690
Gross margin from midstream operations (b)	40,066	39,890	33,572	40,476
Net earnings (loss) (c)	(80,566 )	57,755	18,918	(668,142 )
Net earnings (loss) attributable to Ferrellgas Partners, L.P.	(79,793 )	57,127	18,685	(661,434 )
Common unitholders' interest in net earnings (loss)	(78,995 )	56,556	18,498	(654,820 )
Basic and diluted net earnings (loss) per common unitholders' interest	\$(0.79 )	\$0.58	\$0.19	\$(6.68 )

For the year ended July 31, 2015	First quarter	Second quarter	Third quarter	Fourth quarter
Revenues	\$443,355	\$665,973	\$532,551	\$382,511
Gross margin from propane and other gas liquids sales (a)	129,547	230,175	191,983	128,087
Gross margin from midstream operations (b)	5,948	4,934	3,416	16,301
Net earnings (loss)	(33,169 )	86,371	36,220	(59,333 )
Net earnings (loss) attributable to Ferrellgas Partners, L.P.	(32,875 )	85,458	35,812	(58,775 )
Common unitholders' interest in net earnings (loss)	(32,546 )	84,603	35,454	(58,187 )
Basic and diluted net earnings (loss) per common unitholders' interest	\$(0.40 )	\$0.89	\$0.43	\$(0.64 )

(a) 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."

- (b) Gross margin from "Midstream operations" represents "Revenues - midstream operations" less "Cost of sales - midstream operations."
- (c) Includes asset impairment charges of \$29.3 million and \$628.8 million in the first and fourth quarters of fiscal 2016, respectively.

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T. Subsequent events

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

Ferrellgas Partners Finance Corp.

We have audited the accompanying balance sheets of Ferrellgas Partners Finance Corp. (a Delaware corporation) (the “Company”) as of July 31, 2017 and 2016, and the related statements of operations, stockholder’s equity, and cash flows for each of the three years in the period ended July 31, 2017. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ferrellgas Partners Finance Corp. as of July 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Kansas City, Missouri

September 28, 2017

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

	July 31,	
	2017	2016
<b>ASSETS</b>		
Cash	\$1,000	\$1,000
Total assets	\$1,000	\$1,000
Contingencies and commitments (Note B)		
<b>STOCKHOLDER'S EQUITY</b>		
Common stock, \$1.00 par value; 2,000 shares authorized; 1,000 shares issued and outstanding	\$1,000	\$1,000
Additional paid in capital	25,055	19,747
Accumulated deficit	(25,055)	(19,747)
Total stockholder's equity	\$1,000	\$1,000
See notes to financial statements.		

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

	For the year ended July 31,		
	2017	2016	2015
General and administrative expense	\$5,308	\$2,262	\$2,348
Net loss	\$(5,308)	\$(2,262)	\$(2,348)
See notes to financial statements.			

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FERRELLGAS PARTNERS FINANCE CORP.  
(a wholly-owned subsidiary of Ferrellgas Partners, L.P.)  
STATEMENTS OF STOCKHOLDER'S EQUITY

	Common stock		Additional paid in capital	Accumulated deficit	Total stockholder's equity
July 31, 2014	1,000	\$ 1,000	\$ 15,106	\$ (15,137 )	\$ 969
Capital contribution	—	—	2,379	—	2,379
Net loss	—	—	—	(2,348 )	(2,348 )
July 31, 2015	1,000	1,000	17,485	(17,485 )	1,000
Capital contribution	—	—	2,262	—	2,262
Net loss	—	—	—	(2,262 )	(2,262 )
July 31, 2016	1,000	1,000	19,747	(19,747 )	1,000
Capital contribution	—	—	5,308	—	5,308
Net loss	—	—	—	(5,308 )	(5,308 )
July 31, 2017	1,000	\$ 1,000	\$ 25,055	\$ (25,055 )	\$ 1,000

See notes to financial statements.

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

	For the year ended July 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net loss	\$(5,308)	\$(2,262)	\$(2,348)
Cash used in operating activities	(5,308 )	(2,262 )	(2,348 )
Cash flows from financing activities:			
Capital contribution	5,308	2,262	2,379
Cash provided by financing activities	5,308	2,262	2,379
Change in cash	—	—	31
Cash - beginning of year	1,000	1,000	969
Cash - end of year	\$ 1,000	\$ 1,000	\$ 1,000

See notes to financial statements.

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

NOTES TO 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 Partnership contributed \$1,000 to the Finance Corp. on April 8, 1996 in exchange for 1,000 shares of common stock.

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.

The senior unsecured notes contain various restrictive covenants applicable to the Partnership and its subsidiaries, the most restrictive relating to additional indebtedness and restricted payments. As of July 31, 2017, the Partnership is in compliance with all requirements, tests, limitations and covenants related to this debt agreement.

C. Income taxes

Income taxes have been computed separately as the Finance Corp. files its own income tax return. Deferred income taxes are provided as a result of temporary differences between financial and tax reporting using the asset/liability method. Deferred income taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and tax basis of existing assets and liabilities.

Due to the inability of the Finance Corp. to utilize the deferred tax benefit of \$9,532 associated with the net operating loss carryforward of \$24,505, which expire at various dates through July 31, 2037, a valuation allowance has been provided on the full amount of the deferred tax asset. Accordingly, there is no net deferred tax benefit for fiscal 2017, 2016 or 2015, and there is no net deferred tax asset as of July 31, 2017 and 2016.

D. Subsequent events

The Finance Corp. has evaluated events and transactions occurring after the balance sheet date through the date the Finance Corp.’s consolidated financial statements were issued, and concluded that there were no events or transactions occurring during this period that required recognition or disclosure in its financial statements.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Partners

Ferrellgas, L.P.

We have audited the accompanying consolidated balance sheets of Ferrellgas, L.P. and subsidiaries (the “Partnership”) as of July 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), partners’ capital (deficit), and cash flows for each of the three years in the period ended July 31, 2017. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing on page S-1. These financial statements and financial statement schedule are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Partnership’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ferrellgas, L.P. and subsidiaries as of July 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Kansas City, Missouri

September 28, 2017

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

	July 31, 2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$5,701	\$4,890
Accounts and notes receivable (including \$109,407 and \$106,464 of accounts receivable pledged as collateral at 2017 and 2016, respectively, and net of allowance for doubtful accounts of \$1,976 and \$5,067 at 2017 and 2016, respectively)	165,084	149,583
Inventories	92,552	90,594
Prepaid expenses and other current assets	33,426	39,955
Total current assets	296,763	285,022
Property, plant and equipment, net	731,923	774,680
Goodwill	256,103	256,103
Intangible assets, net	251,102	280,185
Other assets, net	74,057	87,223
Total assets	\$1,609,948	\$1,683,213
<b>LIABILITIES AND PARTNERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$85,561	\$67,928
Short-term borrowings	59,781	101,291
Collateralized note payable	69,000	64,000
Other current liabilities	122,016	126,952
Total current liabilities	336,358	360,171
Long-term debt	1,649,270	1,760,881
Other liabilities	31,118	31,574
Contingencies and commitments (Note O)		
Partners' deficit:		
Limited partner	(417,467 )	(454,222 )
General partner	(4,095 )	(4,631 )
Accumulated other comprehensive income (loss)	14,764	(10,560 )
Total partners' deficit	(406,798 )	(469,413 )
Total liabilities and partners' deficit	\$1,609,948	\$1,683,213
See notes to consolidated financial statements.		

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FERRELLGAS, L.P. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (in thousands)

	For the year ended July 31,		
	2017	2016	2015
Revenues:			
Propane and other gas liquids sales	\$1,318,412	\$1,202,368	\$1,657,016
Midstream operations	466,703	625,238	107,189
Other	145,162	211,761	260,185
Total revenues	1,930,277	2,039,367	2,024,390
Costs and expenses:			
Cost of sales - propane and other gas liquids sales	694,155	564,433	977,224
Cost of sales - midstream operations	429,439	471,234	76,590
Cost of sales - other	67,267	126,237	170,697
Operating expense	432,412	459,178	437,353
Depreciation and amortization expense	103,351	150,513	98,579
General and administrative expense	49,478	56,115	77,238
Equipment lease expense	29,124	28,833	24,273
Non-cash employee stock ownership plan compensation charge	15,088	27,595	24,713
Asset impairments	—	658,118	—
Loss on asset sales and disposal	14,457	30,835	7,099
Operating income (loss)	95,506	(533,724)	130,624
Interest expense	(127,188)	(121,818)	(84,227)
Loss on extinguishment of debt	—	—	—
Other income (expense), net	1,474	110	(354)
Earnings (loss) before income taxes	(30,208)	(655,432)	46,043
Income tax benefit	(1,149)	(41)	(384)
Net earnings (loss)	\$(29,059)	\$(655,391)	\$46,427
See notes to consolidated financial statements.			

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## FERRELLGAS, L.P. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	For the year ended July 31,		
	2017	2016	2015
Net earnings (loss)	\$(29,059)	\$(655,391)	\$46,427
Other comprehensive income (loss)			
Change in value on risk management derivatives	22,525	1,789	(73,647 )
Reclassification of gains on derivatives to earnings	1,938	27,302	28,258
Foreign currency translation adjustment	320	—	(2 )
Pension liability adjustment	541	(333 )	(185 )
Other comprehensive income (loss)	25,324	28,758	(45,576 )
Comprehensive income (loss)	\$(3,735 )	\$(626,633)	\$851
See notes to consolidated financial statements.			

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FERRELLGAS, L.P. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL (DEFICIT)  
(in thousands)

	Limited partner	General partner	Accumulated other comprehensive income (loss)	Total partners' capital
Balance at July 31, 2014	\$63,024	\$643	\$ 6,258	\$69,925
Contributions in connection with non-cash ESOP and stock and unit-based compensation charges	50,183	512	—	50,695
Cash contributions in connection with acquisitions	825,452	8,423	—	833,875
Cash contributed by Ferrellgas Partners and general partner	42,224	431	—	42,655
Distributions	(601,736 )	(6,139 )	—	(607,875 )
Net earnings	45,958	469	—	46,427
Other comprehensive loss	—	—	(45,576 )	(45,576 )
Balance at July 31, 2015	425,105	4,339	(39,318 )	390,126
Contributions in connection with non-cash ESOP and stock and unit-based compensation charges	36,546	373	—	36,919
Contributions in connection with acquisitions	(284 )	—	—	(284 )
Distributions	(266,818 )	(2,723 )	—	(269,541 )
Net loss	(648,771 )	(6,620 )	—	(655,391 )
Other comprehensive income	—	—	28,758	28,758
Balance at July 31, 2016	(454,222 )	(4,631 )	(10,560 )	(469,413 )
Contributions in connection with non-cash ESOP and stock and unit-based compensation charges	18,201	185	—	18,386
Contributions from partners	166,148	1,695	—	167,843
Distributions	(118,829 )	(1,050 )	—	(119,879 )
Net loss	(28,765 )	(294 )	—	(29,059 )
Other comprehensive income	—	—	25,324	25,324
Balance at July 31, 2017	\$(417,467)	\$(4,095)	\$ 14,764	\$(406,798)
See notes to consolidated financial statements.				

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

	For the year ended July 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net earnings (loss)	\$(29,059)	\$(655,391)	\$46,427
Reconciliation of net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	103,351	150,513	98,579
Non-cash employee stock ownership plan compensation charge	15,088	27,595	24,713
Non-cash stock and unit-based compensation charge	3,298	9,324	25,982
Asset impairments	—	658,118	—
Unrealized gain on derivative instruments	(2,895 )	—	—
Loss on asset sales and disposal	14,457	30,835	7,099
Change in fair value of contingent consideration	—	(100 )	(6,300 )
Provision for doubtful accounts	7	1,703	3,419
Deferred tax expense (benefit)	11	(504 )	270
Other	5,921	4,545	2,921
Changes in operating assets and liabilities, net of effects from business acquisitions:			
Accounts and notes receivable, net of securitization	(5,394 )	6,528	(1,739 )
Inventories	(1,958 )	5,788	49,050
Prepaid expenses and other current assets	11,985	17,957	(24,934 )
Accounts payable	17,469	(14,924 )	(1,547 )
Accrued interest expense	120	(658 )	5,099
Other current liabilities	12,989	(37,769 )	8,250
Other assets and liabilities	3,358	9,184	(20,801 )
Net cash provided by operating activities	148,748	212,744	216,488
Cash flows from investing activities:			
Business acquisitions, net of cash acquired	(3,539 )	(15,144 )	(78,927 )
Capital expenditures	(50,472 )	(117,518 )	(72,481 )
Proceeds from sale of assets	8,510	17,089	5,905
Other	(37 )	(286 )	(14 )
Net cash used in investing activities	(45,538 )	(115,859 )	(145,517 )
Cash flows from financing activities:			
Distributions	(119,879 )	(269,541 )	(607,875 )
Contributions	167,843	30	51,047
Proceeds from issuance of long-term debt	62,864	168,117	628,134
Payments on long-term debt	(174,292 )	(14,959 )	(119,457 )
Net additions to (reductions in) short-term borrowings	(41,510 )	25,972	5,800
Net additions to (reductions in) to collateralized short-term borrowings	5,000	(6,000 )	(21,000 )
Cash paid for financing costs	(2,425 )	(1,214 )	(10,301 )
Net cash used in financing activities	(102,399 )	(97,595 )	(73,652 )
Effect of exchange rate changes on cash	—	—	(2 )
Increase (decrease) in cash and cash equivalents	811	(710 )	(2,683 )

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Cash and cash equivalents - beginning of year	4,890	5,600	8,283
Cash and cash equivalents - end of year	\$5,701	\$4,890	\$5,600
See notes to consolidated financial statements.			

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

A. Partnership organization and formation

Ferrellgas, L.P. was formed on April 22, 1994, and is a Delaware limited partnership. 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 Partners and Ferrellgas, L.P. are governed by their respective partnership agreements. These agreements contain specific provisions for the allocation of net earnings and loss to each of the partners for purposes of maintaining the partner capital accounts.

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

Ferrellgas, L.P. is engaged in the following primary businesses:

Propane operations 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 crude oil logistics, which began with the acquisition in June 2015 of Bridger Logistics, LLC (“Bridger”), and water solutions. Crude oil logistics primarily generates income by providing crude oil transportation and logistics services on behalf of producers and end-users of crude oil. Water solutions generates income primarily through the operation of salt water disposal wells in the Eagle Ford shale region of south Texas.

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 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, allowance for doubtful accounts, fair value of reporting units, recoverability of long-lived assets, assumptions used to value business combinations, fair values of derivative contracts and stock-based compensation calculations.

(2) Principles of consolidation: The accompanying consolidated financial statements present the consolidated financial position, results of operations and cash flows of Ferrellgas, L.P. and its subsidiaries after elimination of all intercompany accounts and transactions. Ferrellgas, L.P. consolidates the following wholly-owned entities: Bridger Logistics, LLC, Sable Environmental, LLC, Sable SWD 2, LLC, Blue Rhino Global Sourcing, Inc., Blue Rhino Canada, Inc., Ferrellgas Real Estate, Inc., Ferrellgas Finance Corp. and Ferrellgas Receivables, LLC (“Ferrellgas Receivables”), a special purpose entity that has agreements with Ferrellgas, L.P. to securitize, on an ongoing basis, a portion of its trade accounts receivable.

(3) Fair value measurements: Ferrellgas, L.P. measures certain of its assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants – in either the principal market or the most advantageous market. The principal market is the market with the greatest level of activity and volume for the asset or liability.

The common framework for measuring fair value utilizes a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 having the highest priority and Level 3 having the lowest.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

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- (4) Accounts receivable securitization: Through its wholly-owned and consolidated subsidiary Ferrellgas Receivables, Ferrellgas, L.P. has agreements to securitize, on an ongoing basis, a portion of its trade accounts receivable.
- (5) Inventories: Inventories are stated at the lower of cost or market using weighted average cost and actual cost methods.
- (6) Property, plant and equipment: Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures for maintenance and routine repairs are expensed as incurred. Ferrellgas, L.P. capitalizes computer software, equipment replacement and betterment expenditures that upgrade, replace or completely rebuild major mechanical components and extend the original useful life of the equipment. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets ranging from two to 30 years. Ferrellgas, L.P., using its best estimates based on reasonable and supportable assumptions and projections, tests long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of its assets or asset groups might not be recoverable. The recoverability tests for property, plant and equipment are performed at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The recoverability test is performed by determining the carrying value of the asset group and comparing it to the estimated expected undiscounted future cash flows of the asset group. The expected future cash flows are estimated based on Ferrellgas, L.P. management's plans. If the carrying value exceeds the expected undiscounted future cash flows, an impairment loss is recognized for the difference between the estimated fair market value and the carrying value of the assets.
- (7) 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. 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. Ferrellgas, L.P. has determined that it has five reporting units for goodwill impairment testing purposes. As of July 31, 2016, two 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, the reporting unit's goodwill is impaired. The amount of impairment would be equal to the lesser of the excess of reporting unit carrying value over its fair value and the reporting unit's recorded amount of goodwill. Ferrellgas, L.P. completed its last annual goodwill impairment test on January 31, 2016 and did not incur an impairment loss.

During the quarter ended January 31, 2017, Ferrellgas, L.P. adopted ASU 2017-04, which as discussed below eliminated step 2 from the goodwill impairment test. As discussed in Note C – Asset impairments, during 2016 Ferrellgas, L.P. recorded impairments under the old model prior to adoption of ASU 2017-04.

- (8) Intangible assets: Intangible assets with finite useful lives, consisting primarily of customer related assets, non-compete agreements, permits, favorable lease arrangements and patented technology, are stated at cost, net of accumulated amortization calculated using the straight-line method over periods ranging from two to 15 years. When necessary, intangible assets' useful lives are revised and the impact on amortization reflected on a prospective basis. Trade names and trademarks have indefinite lives, are not amortized, and are stated at cost. Ferrellgas, L.P. tests finite-lived intangible assets for impairment when events or changes in circumstances indicate that the carrying amount of these assets or asset groups might not be recoverable. Ferrellgas, L.P. tests indefinite-lived intangible assets for impairment annually on January 31 or more frequently if circumstances dictate. The recoverability tests for definite-lived intangible assets are performed at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The recoverability test

is performed by determining the carrying value of the asset group and comparing it to the estimated expected undiscounted future cash flows of the asset group. The expected future cash flows are estimated based on Ferrellgas, L.P. management's plans. If the carrying value exceeds the expected undiscounted future cash flows, an impairment loss is recognized for the difference between the estimated fair market value and the carrying value of the assets.

(9) Derivative instruments and hedging activities:

Commodity and Transportation Fuel Price Risk.

Ferrellgas, L.P.'s overall objective for entering into commodity based derivative contracts, including commodity options and swaps, is to hedge a portion of its exposure to market fluctuations in propane, gasoline, diesel and crude oil prices.

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

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mitigate price risks related to the purchase of gasoline and diesel fuel for use in the transport of propane from retail fueling stations through the use of financial derivative instruments.

Ferrellgas, L.P.'s risk management strategy involves taking positions in the forward or financial markets that are equal and opposite to Ferrellgas, L.P.'s positions in the physical products market in order to minimize the risk of financial loss from an adverse price change. This risk management strategy is successful when Ferrellgas, L.P.'s gains or losses in the physical product markets are offset by its losses or gains in the forward or financial markets. These financial derivatives are designated as cash flow hedges. The gasoline and diesel related financial derivatives have not historically been formally designated and documented as a hedge of exposure to fluctuations in the market price of fuel.

Ferrellgas, L.P.'s risk management activities may include the use of financial derivative instruments including, but not limited to, swaps, options, and futures to seek protection from adverse price movements and to minimize potential losses. Ferrellgas, L.P. enters into these financial derivative instruments directly with third parties in the over-the-counter market and with brokers who are clearing members with the New York Mercantile Exchange. All of Ferrellgas, L.P.'s financial derivative instruments are reported on the consolidated balance sheets at fair value.

Ferrellgas, L.P. also enters into forward propane purchase and sales contracts with counterparties. These forward contracts qualify for the normal purchase normal sales exception within GAAP guidance and are therefore not recorded on Ferrellgas, L.P.'s financial statements until settled.

On the date that derivative contracts are entered into, other than those designated as normal purchases or normal sales, Ferrellgas, L.P. makes a determination as to whether the derivative instrument qualifies for designation as a hedge. These financial instruments are formally designated and documented as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transaction. Because of the high degree of correlation between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instrument are generally offset by changes in the anticipated cash flows of the underlying exposure being hedged. Since the fair value of these derivatives fluctuates over their contractual lives, their fair value amounts should not be viewed in isolation, but rather in relation to the anticipated cash flows of the underlying hedged transaction and the overall reduction in Ferrellgas, L.P.'s risk relating to adverse fluctuations in propane prices. Ferrellgas, L.P. formally assesses, both at inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in the anticipated cash flows of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is recognized in "Cost of product sold - propane and other gas liquids sales" in the consolidated statements of operations. Financial instruments formally designated and documented as a hedge of a specific underlying exposure are recorded gross at fair value as either "Prepaid expenses and other current assets", "Other assets, net", "Other current liabilities" or "Other liabilities" on the consolidated balance sheets with changes in fair value reported in other comprehensive income.

Financial instruments not formally designated and documented as a hedge of a specific underlying exposure are recorded at fair value as "Prepaid expenses and other current assets", "Other assets, net", "Other current liabilities", or "Other liabilities" on the consolidated balance sheets with changes in fair value reported in "Cost of sales - midstream operations" and "Operating expense" on the consolidated statements of operations.

### Interest Rate Risk.

Ferrellgas, L.P.'s overall objective for entering into interest rate derivative contracts, including swaps, is to manage its exposure to interest rate risk associated with its fixed rate senior notes and its floating rate borrowings from both the secured credit facility and the accounts receivable securitization facility. Fluctuations in interest rates subject Ferrellgas, L.P. to interest rate risk. Decreases in interest rates increase the fair value of Ferrellgas, L.P.'s fixed rate

debt, while increases in interest rates subject Ferrellgas, L.P. to the risk of increased interest expense related to its variable rate borrowings.

Ferrellgas, L.P. enters into fair value hedges to help reduce its fixed interest rate risk. Interest rate swaps are used to hedge the exposure to changes in the fair value of fixed rate debt due to changes in interest rates. Fixed rate debt that has been designated as being hedged is recorded at fair value while the fair value of interest rate derivatives that are considered fair value hedges are classified as “Prepaid expenses and other current assets”, “Other assets, net”, “Other current liabilities” or as “Other liabilities” on the consolidated balance sheets. Changes in the fair value of fixed rate debt and any related fair value hedges are recognized as they occur in “Interest expense” on the consolidated statements of operations.

Ferrellgas, L.P. enters into cash flow hedges to help reduce its variable interest rate risk. Interest rate swaps are used to hedge the risk associated with rising interest rates and their effect on forecasted interest payments related to variable rate borrowings. These interest rate swaps are designated as cash flow hedges. Thus, the effective portions of changes in the fair value of the hedges are recorded in “Prepaid expenses and other current assets”, “Other assets, net”, “Other current liabilities” or as “Other liabilities” with an offsetting entry to “Other comprehensive income” at interim periods and are subsequently recognized as

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interest expense in the consolidated statement of earnings when the forecasted transaction impacts earnings. Changes in the fair value of any cash flow hedges that are considered ineffective are recognized as interest expense on the consolidated statement of earnings as they occur.

(10) Revenue recognition: Revenues from Ferrellgas, L.P.'s propane operations and related equipment sales segment are recognized at the time product is delivered with payments generally due 30 days after receipt. Amounts are considered past due after 30 days. Ferrellgas, L.P. determines accounts receivable allowances based on management's assessment of the creditworthiness of the customers and other collection actions. Ferrellgas, L.P. offers "even pay" billing programs that can create customer deposits or advances. Revenue is recognized from these customer deposits or advances to customers at the time product is delivered. Other revenues, which include revenue from the sale of propane appliances and equipment is recognized at the time of delivery or installation. Ferrellgas, L.P. recognizes shipping and handling revenues and expenses for sales of propane, appliances and equipment at the time of delivery or installation. Shipping and handling revenues are included in the price of propane charged to customers, and are classified as revenue. Revenues from annually billed, non-refundable propane tank rentals are recognized in "Revenues: other" on a straight-line basis over one year.

Revenues from Ferrellgas, L.P.'s midstream operations segment include crude oil sales, pipeline tariffs, trucking fees, rail throughput fees, pipeline management services, leasing, throughput, storage and salt water disposal. These revenues are recognized upon completion of the related service or delivery of product.

(11) Shipping and handling expenses: Shipping and handling expenses related to delivery personnel, vehicle repair and maintenance and general liability expenses are classified within "Operating expense" in the consolidated statements of operations. Depreciation expenses on delivery vehicles Ferrellgas, L.P. owns are classified within "Depreciation and amortization expense." Delivery vehicles and distribution technology leased by Ferrellgas, L.P. are classified within "Equipment lease expense."

See Note G – Supplemental financial statement information – for the financial statement presentation of shipping and handling expenses.

(12) Cost of sales: "Cost of sales – propane and other gas liquids sales" includes all costs to acquire propane and other gas liquids, the costs of storing and transporting inventory prior to delivery to Ferrellgas, L.P.'s customers, the results from risk management activities to hedge related price risk and the costs of materials related to the refurbishment of Ferrellgas, L.P.'s portable propane tanks. "Cost of sales - midstream operations" includes all costs incurred to purchase and transport crude oil, including the costs of terminaling and transporting crude oil prior to delivery to customers and the costs of salt water disposal. "Cost of sales – other" primarily includes costs related to the sale of propane appliances and equipment.

(13) Operating expenses: "Operating expense" primarily includes the personnel, vehicle, delivery, handling, plant, office, selling, marketing, credit and collections and other expenses.

(14) General and administrative expenses: "General and administrative expense" primarily includes personnel and incentive expense related to executives, and employees and other overhead expense related to centralized corporate functions.

(15) Stock-based plans:

Ferrell Companies, Inc. Incentive Compensation Plans ("ICPs")

The ICPs are not Ferrellgas, L.P. stock-compensation plans; however, in accordance with Ferrellgas, L.P.'s partnership agreements, all Ferrellgas, L.P. employee-related costs incurred by Ferrell Companies are allocated to Ferrellgas, L.P.

As a result, Ferrellgas, L.P. incurs a non-cash compensation charge from Ferrell Companies. During the years ended July 31, 2017, 2016 and 2015, the portion of the total non-cash compensation charge relating to the ICPs was \$3.3 million, \$9.3 million and \$25.6 million, respectively.

Ferrell Companies is authorized to issue up to 9.25 million stock appreciation rights ("SARs") that are based on shares of Ferrell Companies common stock. The SARs were established by Ferrell Companies to allow upper-middle and senior level managers as well as directors of the general partner to participate in the equity growth of Ferrell Companies. The SARs awards vest ratably over periods ranging from zero to 10 years or 100% upon a change of control of Ferrell Companies, or upon the death, disability or retirement at the age of 65 of the participant. All awards expire 10 years from the date of issuance. The fair value of each award is estimated on each balance sheet date using a binomial valuation model.

Effective July 31, 2015, Ferrell Companies is authorized to issue deferred appreciation right ("DARs") awards that are based on shares of Ferrell Companies common stock. The DAR awards were established by Ferrell Companies to allow upper-middle and senior level managers as well as directors of the general partner to participate in the equity growth of Ferrell Companies. The DAR awards vest ratably over periods ranging from zero to 10 years or 100% upon a change of control of Ferrell



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Companies, or upon the death, disability or retirement at the age of 65 of the participant. All awards expire 10 or 15 years from the date of issuance. The fair value of each award is estimated on each balance sheet date using a binomial valuation model.

(16) Income taxes: Ferrellgas, L.P. is a limited partnership and owns three subsidiaries that are taxable corporations. As a result, except for the taxable corporations, Ferrellgas, L.P.'s earnings or losses for federal income tax purposes are included in the tax returns of the individual partners. Accordingly, the accompanying consolidated financial statements of Ferrellgas, L.P. reflect federal income taxes related to the above mentioned taxable corporations and certain states that allow for income taxation of partnerships. Net earnings for financial statement purposes may differ significantly from taxable income reportable to partners as a result of differences between the tax basis and financial reporting basis of assets and liabilities, the taxable income allocation requirements under Ferrellgas, L.P.'s partnership agreement and differences between Ferrellgas, L.P.'s financial reporting year end and limited partners tax year end.

Income tax expense (benefit) consisted of the following:

	For the year ended July 31,		
	2017	2016	2015
Current expense (benefit)	\$(1,160)	\$463	\$(654)
Deferred expense (benefit)	11	(504 )	270
Income tax benefit	\$(1,149)	\$(41 )	\$(384)

Deferred taxes consisted of the following:

	July 31,	
	2017	2016
Deferred tax assets (included in Prepaid expenses and other current assets)	\$1,068	\$1,156
Deferred tax liabilities (included in Other liabilities)	(4,186 )	(4,085 )
Net deferred tax liability	\$(3,118)	\$(2,929)

(17) Sales taxes: Ferrellgas, L.P. accounts for the collection and remittance of sales tax on a net tax basis. As a result, these amounts are not reflected in the consolidated statements of operations.

(18) Loss contingencies: In the normal course of business, Ferrellgas, L.P. is involved in various claims and legal proceedings. Ferrellgas, L.P. records a liability for such matters when it is probable that a loss has been incurred and the amounts can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. Legal costs associated with these loss contingencies are expensed as incurred.

(19) New accounting standards:

FASB Accounting Standard Update No. 2014-09

In May 2014, the FASB issued 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 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, L.P. 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, L.P. 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. Ferrellgas, L.P. has formed an implementation team, completed training on the new standard, prepared an initial assessment and is continuing to review its contracts with customers.

FASB Accounting Standard Update No. 2015-02 and No. 2016-17

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. In October 2016, the FASB issued ASU 2016-17, Consolidation: Interests Held through Related Parties That Are Under Common Control which amended certain aspects of the additional guidance in ASU 2015-02. We adopted ASU 2015-02 and ASU 2016-17 effective August 1, 2016. The adoption of these standards did not impact our consolidated financial statements.

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FASB Accounting Standard Update No. 2015-11

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330) - Simplifying the Measurement of Inventory, which requires that inventory within the scope of the guidance be measured at the lower of cost or net realizable value. ASU 2015-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted. We do not expect the adoption of this standard to have a material impact on the consolidated financial statements.

FASB Accounting Standard Update No. 2016-02

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Ferrellgas, L.P. is currently evaluating the impact of its pending adoption of ASU 2016-02 on the consolidated financial statements. Ferrellgas, L.P. has formed an implementation team, completed training on the new standard, and is working on an initial assessment.

FASB Accounting Standard Update No. 2016-13

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), which requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. Ferrellgas, L.P. is currently evaluating the impact of its pending adoption of this standard on the consolidated financial statements.

FASB Accounting Standard Update No. 2017-04

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which eliminated Step 2 from the goodwill impairment test. Under the new guidance, entities should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. This standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years and applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Ferrellgas, L.P. elected to early adopt the provisions of this standard during the quarter ended January 31, 2017. The adoption of this standard did not materially impact our consolidated financial statements.

C. Asset impairments

First Quarter ended October 31, 2015

Goodwill impairment

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 reporting unit 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 estimate 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, in addition to previous declines noted during fiscal year 2015, negatively affected Ferrellgas, L.P.'s fiscal year 2016 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 was 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 exceeded the implied fair value of that goodwill, an impairment loss was recognized for that excess.

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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 and compared the implied fair value of the reporting unit to the carrying amount of goodwill and determined that goodwill was completely impaired and wrote off the entire \$29.3 million of goodwill related to this reporting unit.

### Fourth Quarter ended July 31, 2016

During the year ended July 31, 2016, approximately 60% of Bridger's gross margin was generated from its largest customer and Jamex, that customer's supplier, under take-or-pay arrangements. Bridger's largest customer during the fiscal year ended July 31, 2016 owned a refinery in Trainer, Pennsylvania. Bridger was party to an agreement with this customer under which Bridger provided logistics services to transport crude oil from the Bakken region in North Dakota to the Trainer refinery. That agreement had a minimum volume commitment and payment obligation from the refinery for logistics services associated with the delivery of 65 MBbls/d. However, if the quantity of crude oil delivered to the refinery dropped below 35 MBbls/d, the minimum volume commitment and payment obligation from the refinery would be suspended and Jamex would become responsible for payments to Bridger under the pay provisions of the Jamex TLA. During February 2016, Jamex ceased sourcing barrels for delivery to the refinery and Bridger had been billing Jamex directly in accordance with the pay provisions of the Jamex TLA. During July 2016, Ferrellgas, L.P. determined Jamex would not resume sourcing barrels for delivery to the refinery or be likely to continue to make payments under the pay provisions of the Jamex TLA. As a result, Ferrellgas, L.P. began negotiating a settlement with Jamex, and the Jamex TLA was terminated on September 1, 2016. While the agreement with the refinery owner was not terminated as a result of the execution and delivery of the Jamex Termination Agreement, Bridger was unable to negotiate a revised transportation and logistics agreement with that customer; accordingly it was unlikely that Bridger would continue to make any deliveries under the existing agreement. As of the date of this assessment, we did not anticipate any material contribution to revenue or gross margin from Jamex or Bridger's largest customer in the future. Additionally, the continued, sustained decline in crude oil prices and resulting decrease in crude oil production in the regions in which we operate significantly impacted our trucking operations during the three months ended July 31, 2016, a trend Ferrellgas, L.P. anticipated would continue into fiscal 2017 and beyond. This expected decline in future cash flows from operations constituted a triggering event in the fourth fiscal quarter of 2016 for its Midstream operations - crude oil logistics reporting unit, requiring impairment testing of indefinite-lived intangible assets, long-lived tangible and intangible assets within certain asset groups, and goodwill.

### Tradename impairment

Upon applying the fair-value-based test to its Midstream operations - crude oil logistics reporting unit indefinite-lived intangible asset, which consists of its tradename, Ferrellgas, L.P. determined that the estimated fair value of the tradename as of July 31, 2016 was less than the carrying value, and as a result recorded an impairment charge of \$7.4 million as of July 31, 2016. Ferrellgas, L.P. estimated the fair value of the tradename using the relief from royalty method, which is an income approach. Critical assumptions included in the relief from royalty method include: (1) discounted future cash flows; (2) growth factors; (3) a discount rate; and (4) a long-term growth rate. The majority of these critical assumptions were unobservable, accordingly Ferrellgas, L.P.'s estimate of fair value of the tradename was considered to be Level 3 in the fair value hierarchy.

### Long-lived asset impairment

Ferrellgas, L.P. determined that multiple asset groups within the Midstream operations - crude oil logistics reporting unit were not recoverable. Ferrellgas, L.P. estimated the fair value of each of these asset groups and recorded impairment charges to the extent that fair value was less than the carrying value of the asset group. As of July 31, 2016, impairment charges of \$249.0 million related to customer relationships and non-compete agreements and

\$181.8 million related to property, plant and equipment are included in “Asset impairments” in the Consolidated Statement of Operations.

Fair value of the asset groups was determined using an income approach, which was comprised of multiple significant unobservable inputs including: (1) estimate of future cash flows; (2) the timing, success rate and capital required for certain organic growth projects; (3) the amount of capital expenditures required to maintain the existing cash flows; and (4) a terminal period growth rate equal to the expected rate of inflation. Accordingly, Ferrellgas, L.P.'s estimates of fair value of these asset groups were considered to be Level 3 in the fair value hierarchy.

#### Goodwill impairment

Ferrellgas, L.P. concluded that the fair value of the Midstream operations - crude oil logistics reporting unit no longer exceeded its carrying value as of July 31, 2016. Upon applying the second step of the impairment test, Ferrellgas, L.P. determined that the implied fair value of goodwill was zero, and accordingly we recorded an impairment charge of \$190.6 million as of July 31, 2016, or all of the goodwill previously allocated to this reporting unit.

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Ferrellgas, L.P. used a discounted future cash flow model to estimate fair value of the reporting unit, which included multiple significant unobservable inputs, thus the estimate was considered to be Level 3 in the fair value hierarchy. Ferrellgas, L.P. prepared various cash flow models involving certain potential scenarios and probability weighted these scenarios which included the following critical assumptions: (1) discounted future cash flows; (2) the timing, success rate and capital required for certain organic growth projects; (3) the amount of capital expenditures required to maintain the existing cash flows; and (4) a terminal period growth rate equal to the expected rate of inflation. In addition to these critical cash flow assumptions, a discount rate of 11.5% was applied to the various projected cash flow models.

Judgments and assumptions are inherent in management's estimates used to determine the fair value of Ferrellgas, L.P.'s reporting units and the fair value of its indefinite-lived assets and long-lived assets, and are consistent with what management believes would be utilized by primary market participants.

D. Significant transactions

Termination of Bridger agreement with Jamex Marketing, LLC

In connection with the closing of our acquisition of Bridger in June 2015, Bridger entered into a ten-year transportation and logistics agreement (the "Jamex TLA") with Jamex Marketing, LLC ("Jamex") pursuant to which Jamex would be responsible for certain payments to Bridger and also for sourcing crude oil volumes for Bridger's largest customer at that time.

As a result of concerns regarding the collectability of amounts owed to Bridger from Jamex under the Jamex TLA and certain other matters between Bridger and Jamex, on September 1, 2016, Bridger, Jamex, Ferrellgas Partners and certain other affiliated parties entered into a group of agreements that terminated the Jamex TLA, facilitated Ferrellgas Partners purchasing certain Ferrellgas Partners common units from Jamex, and established payment terms for certain amounts owed by Jamex to Bridger under the Jamex TLA. Consequently, Ferrellgas Partners does not anticipate any material contribution to revenue or EBITDA from Jamex or Bridger's former largest customer in the future.

On September 1, 2016, Bridger and Ferrellgas Partners entered into a Termination, Settlement and Release Agreement (the "Jamex Termination Agreement") with Jamex, certain of Jamex's affiliates, and James Ballengee (the owner of Jamex) pursuant to which:

Jamex agreed to execute and deliver a secured promissory note in favor of Bridger in original principal amount of (1) \$49.5 million (the "Jamex Secured Promissory Note") in satisfaction of all obligations owed to Bridger under the Jamex TLA;

Mr. Ballengee and Bacchus Capital Trading, LLC, an entity controlled by Mr. Ballengee, executed and delivered a (2) joint guarantee of the Jamex Secured Promissory Note obligations up to a maximum aggregate amount of \$20.0 million;

The operating partnership agreed to provide Jamex with a \$5.0 million revolving secured working capital facility (3) evidenced by a revolving promissory note (the "Jamex Revolving Promissory Note" and, together with the Jamex Secured Promissory Note, the "Jamex Notes");

(4) The other Jamex entities agreed to execute and deliver a security agreement and a full guarantee of the obligations under the Jamex Notes;

(5) Ferrellgas Partners paid approximately \$16.9 million to Jamex and in return received 0.9 million of Ferrellgas Partners' common units, which were cancelled upon receipt, and approximately 23 thousand barrels of crude oil;

(6) The parties agreed to terminate the Jamex TLA and certain other commercial agreements and arrangements between them, and release any claims between or among them that may exist (other than those arising under the Jamex Termination Agreement or the other agreements entered into in connection with the Jamex Termination

Agreement); and

- (7) Ferrellgas Partners waived the remaining lockup provision applicable to Jamex under the Registration Rights Agreement dated June 24, 2015 to which Jamex is party.

The Jamex Secured Promissory Note originally had an annual interest rate of 7%, which decreased to 2.8% as a result of Ferrellgas Partners reducing its quarterly distribution rate, and contemplates quarterly amortizing principal payments, together with payments of accrued interest. The first quarterly interest payment of approximately \$0.9 million was received in December 2016 and the first and second quarterly principal and interest payments of approximately \$2.8 million each were received in March and June 2017. The maturity date of the Jamex Secured Promissory Note is December 17, 2021, and Jamex may prepay the Secured Promissory Note in whole or in part at any time.

The Jamex Revolving Promissory Note, which provides Jamex with access to working capital liquidity to meet their unrelated and ongoing crude oil marketing and other business needs, has an annual interest rate of 0% (which rate would be increased in case of a default), and contains certain conditions precedent to the operating partnership's obligation to make any advances

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thereunder. Each borrowing under the Jamex Revolving Promissory Note must be repaid within 10 days, and the ultimate maturity date of the Jamex Revolving Promissory Note is the earlier of September 1, 2021 and the date on which all obligations under the Jamex Secured Promissory Note are repaid. As of July 31, 2017, there were no outstanding borrowings under the Jamex Revolving Promissory Note.

The Jamex Secured Promissory Note is guaranteed, pursuant to a Guaranty Agreement, jointly by James Ballengee and Bacchus Capital Trading, LLC, an entity controlled by Mr. Ballengee (up to a maximum aggregate amount of \$20.0 million), and each Note is fully guaranteed, pursuant to respective Guaranty Agreements, by the other Jamex entities. The obligations of Jamex and the other Jamex entities under the Notes are secured, pursuant to a Security Agreement, by a lien on certain of those entities' assets, including actively traded marketable securities and cash, which are held in a controlled account that can be seized by Ferrellgas, L.P. in the event of default. The sum of the amounts available under the controlled account and the \$20.0 million guarantee approximate the \$42.5 million note receivable as of July 31, 2017.

#### E. Business combinations

Business combinations are accounted for under the acquisition method of accounting and the assets acquired and liabilities assumed are recorded at their estimated fair market values as of the acquisition dates. The results of operations are included in the consolidated statements of operations from the date of acquisition. The pro forma effect of these transactions was not material to Ferrellgas, L.P.'s balance sheets or results of operations.

#### Propane operations and related equipment sales

During fiscal 2017, Ferrellgas, L.P. acquired propane distribution assets of Valley Center Propane, based in California, with an aggregate value of \$4.4 million.

During fiscal 2016, Ferrellgas, L.P. acquired propane distribution assets with an aggregate value of \$6.6 million.

Gasco Energy Supply, LLC., based in Missouri, acquired December 2015;  
 Warren Energy Supply, Inc. based in Utah, acquired February 2016; and  
 Selphs Propane, Inc., based in Colorado, acquired June 2016.

During fiscal 2015, Ferrellgas, L.P. acquired propane distribution assets of Propane Advantage, LLC, based in Utah, with an aggregate value of \$7.7 million.

The goodwill arising from the propane operations and related equipment sales acquisitions consists largely of the synergies and economies of scale expected from combining the operations of Ferrellgas, L.P. and the acquired companies.

These acquisitions were funded as follows on their dates of acquisition:

	For the year ended July 31,		
	2017	2016	2015
Cash payments, net of cash acquired	\$3,539	\$4,476	\$4,250
Issuance of liabilities and other costs and considerations	856	2,126	481
Assets contributed from Ferrellgas Partners	—	—	3,000
Aggregate fair value of transactions	\$4,395	\$6,602	\$7,731

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The aggregate fair values, for the acquisitions in propane operations and related equipment sales reporting segment, were allocated as follows, including any adjustments identified during the measurement period:

	For the year ended July		
	31,		
	2017	2016	2015
Working capital	139	(249 )	233
Customer tanks, buildings, land and other	1,220	3,625	236
Customer lists	2,648	2,962	6,569
Non-compete agreements	388	264	693
Aggregate fair value of net assets acquired	\$4,395	\$6,602	\$7,731

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The estimated fair values and useful lives of assets acquired during fiscal 2017 are based on a preliminary valuation and are subject to final valuation adjustments. Ferrellgas, L.P. intends to continue its analysis of the net assets of these transactions to determine the final allocation of the total purchase price to the various assets and liabilities acquired. The estimated fair values and useful lives of assets acquired during fiscal 2016 and 2015 are based on internal valuations and included only minor adjustments during the 12 month period after the date of acquisition. Due to the immateriality of these adjustments, Ferrellgas, L.P. did not retrospectively adjust the consolidated statements of operations for those measurement period adjustments.

## Midstream operations

During fiscal 2016, Ferrellgas, L.P. acquired the crude oil logistics assets of South C&C Trucking, LLC, based in Texas, with an aggregate value of \$10.7 million. The aggregate fair values for this acquisition were allocated as follows: \$(0.6) million of working capital, \$9.2 million of plant, property, and equipment, \$0.7 million of intangibles, and \$1.4 million of goodwill.

On June 24, 2015, Ferrellgas Partners acquired Bridger (based near Dallas, Texas) and formed a new midstream operations segment. Ferrellgas Partners 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. Ferrellgas, L.P. incurred and charged to operating expenses, net \$16.4 million of costs during the year ended July 31, 2015, related to the acquisition and transition of Bridger.

Bridger's assets include rail cars, trucks, tank trailers, injection stations, a pipeline, and other assets. Bridger's operations provide crude oil transportation logistics on behalf of producers and end-users of crude oil on a fee-for-service basis, and purchases and sells crude oil in connection with other fee-for-service arrangements.

The excess of purchase consideration over net assets assumed was recorded as goodwill, which represented the strategic value assigned to Bridger, including the knowledge and experience of the workforce in place.

The following table summarizes the final estimated fair values of the assets acquired and liabilities assumed in June 2015:

	June 24, 2016
Working capital	\$(8,315 )
Transportation equipment	293,491
Injection stations and pipelines	41,632
Goodwill	189,196
Customer relationships	277,224
Non-compete agreements	10,000
Trade names & trademarks	9,400
Office equipment	7,449
Other	2,375
Aggregate fair value of net assets acquired	\$822,452

During fiscal 2015, Ferrellgas, L.P. acquired salt water disposal assets with an aggregate value of \$74.7 million in the following transactions, which includes \$1.4 million paid in fiscal 2015 as a working capital and valuation adjustment for prior year acquisitions:

C&E Production, LLC, based in Texas, acquired September 2014; and  
Segrest Saltwater Resources, based in Texas, acquired May 2015.

These acquisitions were funded as follows on their dates of acquisition:

	For the year ended July 31, 2015
Cash payments, net of cash acquired	\$74,677

The aggregate fair values for these acquisitions were allocated as follows:

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	For the year ended July 31, 2015
Working capital	\$1,155
Customer tanks, buildings, land and other	1,704
Salt water disposal wells	10,705
Goodwill	12,359
Customer relationships	38,846
Non-compete agreements	3,639
Permits and favorable lease arrangements	6,269
Aggregate fair value of net assets acquired	\$74,677

## F. Quarterly distribution of available cash

Ferrellgas, L.P. makes quarterly cash distributions of all of its "available cash." Available cash is defined in the partnership agreement of Ferrellgas, L.P. as, generally, the sum of its consolidated cash receipts less consolidated cash disbursements and net changes in reserves established by the general partner for future requirements. Reserves are retained in order to provide for the proper conduct of Ferrellgas, L.P.'s business, or to provide funds for distributions with respect to any one or more of the next four fiscal quarters. Distributions are made within 45 days after the end of each fiscal quarter ending October, January, April, and July.

Distributions by Ferrellgas, L.P. in an amount equal to 100% of its available cash, as defined in its partnership agreement, will be made approximately 99% to Ferrellgas Partners and approximately 1% to the general partner.

See Note J – Debt for additional disclosures related to Ferrellgas, L.P.'s ability to make quarterly cash distributions.

## G. Supplemental financial statement information

Inventories consist of the following:

	2017	2016
Propane gas and related products	\$67,049	\$59,726
Crude oil	724	4,642
Appliances, parts and supplies	24,779	26,226
Inventories	\$92,552	\$90,594

In addition to inventories on hand, Ferrellgas enters into contracts primarily to buy propane for supply procurement purposes with terms generally up to 36 months. Most of these contracts call for payment based on market prices at the date of delivery. As of July 31, 2017, Ferrellgas, L.P. had committed, for supply procurement purposes, to take delivery of approximately 109.6 million gallons of propane at fixed prices.

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

	Estimated useful lives	2017	2016
Land	Indefinite	\$ 35,824	\$ 35,309
Land improvements	2-20	14,342	14,097
Buildings and improvements	20	73,333	73,021
Vehicles, including transport trailers	8-20	121,233	122,691
Bulk equipment and district facilities	5-30	104,291	104,428
Tanks, cylinders and customer equipment	2-30	755,867	767,234
Salt water disposal wells and related equipment	2-30	52,495	57,695
Rail cars	30	91,787	92,980
Injection stations	20	13,130	13,130
Pipeline	15	1,663	1,663
Computer and office equipment	2-5	118,518	122,304
Construction in progress	n/a	10,974	10,481
		1,393,457	1,415,033
Less: accumulated depreciation		661,534	640,353
Property, plant and equipment, net		\$ 731,923	\$ 774,680

As of July 31, 2016, property, plant and equipment amounts are net of impairment losses of \$181.8 million. See Note C – Asset impairments for additional disclosures regarding these impairments.

Depreciation expense totaled \$68.1 million, \$85.8 million and \$61.3 million for fiscal 2017, 2016 and 2015, respectively.

Other assets, net consist of the following:

	2017	2016
Jamex receivable, less current portion	\$ 32,500	\$ 39,760
Other	41,557	47,463
Other assets, net	\$ 74,057	\$ 87,223

At July 31, 2016, management determined that a significant portion of the trade accounts receivable balance with Jamex should be considered noncurrent and accordingly, \$39.8 million of this trade accounts receivable was reclassified from "Accounts and notes receivable, net" to "Other assets, net". The Jamex trade receivable was converted into a secured promissory note on September 1, 2016. See Note D – Significant transactions for further discussion of this promissory note.

Other current liabilities consist of the following:

	2017	2016
Accrued interest	\$ 14,737	\$ 14,617
Customer deposits and advances	25,541	27,391
Price risk management liabilities	1,838	18,401
Other	79,900	66,543
Other current liabilities	\$ 122,016	\$ 126,952

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

	For the year ended July 31,		
	2017	2016	2015
Operating expense	\$ 175,164	\$ 167,980	\$ 174,105
Depreciation and amortization expense	3,909	4,282	5,127

Equipment lease expense	26,299	25,967	22,667
	\$205,372	\$198,229	\$201,899

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During fiscal 2016, Ferrellgas, L.P. committed to a plan to dispose of certain assets in its Midstream operations segment. The held for sale assets were recorded at the lower of carrying value or estimated fair value, less an estimate of costs to sell. The estimate of fair value included significant unobservable inputs (Level 3 fair value). As of July 31, 2016, this plan resulted in 134 trucks sold and 12 trucks remaining classified as held for sale assets. During fiscal 2017, the 12 remaining trucks classified as held for sale assets were repurposed and reclassified to property, plant, and equipment as held for use within other Ferrellgas businesses.

Loss on asset sales and disposal during the year ended July 31, 2017 consists of:

	For the year ended July 31,		
	2017	2016	2015
Loss on assets held for sale	\$—	\$12,112	\$—
Loss on sale of assets held for sale	—	1,698	—
Loss on sale of assets and other	14,457	17,025	7,099
Loss on asset sales and disposal	\$14,457	\$30,835	\$7,099

For purposes of the 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 year ended July 31,		
	2017	2016	2015
<b>CASH PAID FOR:</b>			
Interest	\$122,084	\$117,931	\$76,085
Income taxes	\$305	\$773	\$643
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>			
Assets contributed from Ferrellgas Partners in connection with acquisitions	\$—	\$—	\$825,452
Liabilities incurred in connection with acquisitions	\$139	\$2,126	\$481
Change in accruals for property, plant and equipment additions	\$164	\$(1,122)	\$498

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

Accounts and notes receivable, net consist of the following:

	2017	2016
Accounts receivable pledged as collateral	\$109,407	\$106,464
Accounts receivable	47,346	43,148
Note receivable - Jamex, current portion	10,000	5,000
Other	307	38
Less: Allowance for doubtful accounts	(1,976)	(5,067)
Accounts and notes receivable, net	\$165,084	\$149,583

During July 2016, Ferrellgas, L.P. executed an amendment to its accounts receivable securitization facility with Wells Fargo Bank, N.A., Fifth Third Bank and SunTrust Bank. This accounts receivable securitization facility has up to \$225.0 million of capacity and matures on the earlier of the Secured Credit Facility maturity date and July 29, 2019. As part of this facility, Ferrellgas, L.P. through Ferrellgas Receivables, securitizes a portion of its trade accounts receivable through a commercial paper conduit for proceeds of up to \$225.0 million during the months of January and February, \$175.0 million during the months of March, April, November and December and \$145.0 million for all other months, depending on the availability of undivided interests in its accounts receivable from certain customers.

At July 31, 2017, \$109.4 million of trade accounts receivable were pledged as collateral against \$69.0 million of collateralized notes payable due to the commercial paper conduit. At July 31, 2016, \$106.5 million of trade accounts receivable were pledged as collateral against \$64.0 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.

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Ferrellgas, L.P. structured Ferrellgas Receivables in order to facilitate securitization transactions while complying with Ferrellgas, L.P.'s various debt covenants. If the covenants were compromised, funding from the facility could be restricted or suspended, or its costs could increase. As of July 31, 2017, Ferrellgas, L.P. had received cash proceeds of \$69.0 million from trade accounts receivables securitized, with no remaining capacity to receive additional proceeds. As of July 31, 2016, Ferrellgas, L.P. had received cash proceeds of \$64.0 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 4.0% and 3.0% as of July 31, 2017 and 2016, respectively.

On September 27, 2016, Ferrellgas, L.P. entered into a fourth amendment to its accounts receivable securitization facility to modify the maximum consolidated leverage ratio covenant.

On April 28, 2017, Ferrellgas, L.P. entered into a fifth amendment to its accounts receivable securitization facility to modify the maximum consolidated leverage ratio covenant and the interest coverage ratio covenant.

## Consolidated leverage ratio

The consolidated leverage ratio is defined as the ratio of total debt of the operating partnership to trailing four quarters earnings before interest expense, income tax expense, depreciation and amortization expense ("EBITDA") (both as adjusted for certain, specified items) of the operating partnership, as detailed in Ferrellgas, L.P.'s secured credit facility and accounts receivable securitization facility.

On April 28, 2017, the maximum consolidated leverage covenant was modified as follows:

Date	Maximum leverage ratio (prior to fifth amendment)	Maximum leverage ratio (after fifth amendment)
July 31, 2017	6.05	7.75
October 31, 2017	5.95	7.75
January 31, 2018	5.95	7.75
April 30, 2018	5.50	7.75
July 31, 2018 & thereafter	5.50	5.50

Ferrellgas, L.P.'s consolidated leverage ratio was 7.46x as of July 31, 2017; the margin allows for approximately \$67.5 million of additional borrowing capacity or approximately \$8.7 million less EBITDA.

## Consolidated interest coverage ratio

The consolidated interest coverage ratio is defined as the ratio of trailing four quarters EBITDA to interest expense (both as adjusted for certain, specified items) of the operating partnership, as detailed in Ferrellgas, L.P.'s secured credit facility and accounts receivable securitization facility.

On April 28, 2017, the minimum consolidated interest coverage ratio was modified as follows:

Minimum consolidated interest	Minimum consolidated interest
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Date	coverage ratio (prior to fifth amendment)	coverage ratio (after fifth amendment)
July 31, 2017	2.50	1.75
October 31, 2017	2.50	1.75
January 31, 2018	2.50	1.75
April 30, 2018	2.50	1.75
July 31, 2018 & thereafter	2.50	2.50

Ferrellgas L.P.'s consolidated interest coverage ratio was 1.99x as of July 31, 2017; the margin allows for approximately \$15.9 million of additional interest expense or approximately \$27.8 million less EBITDA. See additional disclosure about Ferrellgas' financial covenants in Note J – Debt.

I. Goodwill and intangible assets, net

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Goodwill and intangible assets, net consist of the following:

	July 31, 2017			July 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Goodwill, net	\$256,103	\$—	\$256,103	\$256,103	\$—	\$256,103
Intangible assets, net						
Amortized intangible assets						
Customer related	\$556,678	\$(397,891)	\$158,787	\$554,030	\$(372,342)	\$181,688
Non-compete agreements	39,875	(27,887)	11,988	39,487	(23,384)	16,103
Permits and favorable lease arrangements	17,225	(3,506)	13,719	17,225	(2,335)	14,890
Other	9,301	(7,144)	2,157	9,301	(6,210)	3,091
	623,079	(436,428)	186,651	620,043	(404,271)	215,772
Unamortized intangible assets						
Trade names & trademarks	64,451	—	64,451	64,413	—	64,413
Total intangible assets, net	\$687,530	\$(436,428)	\$251,102	\$684,456	\$(404,271)	\$280,185

See Note C – Asset impairments for disclosures regarding impairments recorded during fiscal 2016.

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

	Propane operations and related equipment sales	Midstream operations	Total
Balance July 31, 2015	\$256,120	\$222,627	\$478,747
Acquisitions	—	1,358	1,358
Measurement period adjustments	—	(4,115)	(4,115)
Dispositions	(17)	—	(17)
Impairment	—	(219,870)	(219,870)
Balance July 31, 2016	256,103	—	256,103
Acquisitions	—	—	—
Balance July 31, 2017	\$256,103	\$—	\$256,103

Customer related intangible assets have estimated lives of 10 to 15 years, permits and favorable lease arrangements have estimated lives of 15 years while non-compete agreements and other intangible assets have estimated lives ranging from two to 10 years. Ferrellgas, L.P. intends to utilize all acquired trademarks and trade names and does not believe there are any legal, regulatory, contractual, competitive, economical or other factors that would limit their useful lives. Therefore, trademarks and trade names have indefinite useful lives. Customer related intangibles, permits and favorable lease arrangements, non-compete agreements and other intangibles carry a weighted average life of 13, 13, seven years and seven years, respectively.

Aggregate amortization expense related to intangible assets, net:

For the year ended July 31,  
2017 \$32,148

2016	61,970
2015	34,585

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Estimated  
amortization  
expense:  
For the year  
ended July 31,  
2018 \$30,312  
2019 27,078  
2020 21,200  
2021 19,648  
2022 16,693

## J. 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 July 31, 2017 and 2016, \$59.8 million and \$101.3 million, respectively, were classified as short-term borrowings. For further discussion see the secured credit facility section below.

## Long-term debt

Long-term debt consists of the following:

	2017	2016
Senior notes		
Fixed rate, 6.50%, due 2021 (1)	\$500,000	\$500,000
Fixed rate, 6.75%, due 2023 (3)	500,000	500,000
Fixed rate, 6.75%, due 2022, net of unamortized premium of \$3,166 and \$4,008 at 2017 and 2016, respectively (2)	478,166	479,008
Fair value adjustments related to interest rate swaps	471	5,830
Secured credit facility		
Variable interest rate, expiring October 2018 (net of \$59.8 million and \$101.3 million classified as short-term borrowings at July 31, 2017 and 2016, respectively)	185,719	293,109
Notes payable		
12.0% and 11.8% weighted average interest rate at July 31, 2017 and 2016, respectively, due 2018 to 2022, net of unamortized discount of \$1,128 and \$1,566 at July 31, 2017 and 2016, respectively	5,958	8,484
Total debt, excluding unamortized debt issuance costs	1,670,314	1,786,431
Unamortized debt issuance costs	(18,466 )	(21,629 )
Less: current portion, included in other current liabilities on the consolidated balance sheets	2,578	3,921
Long-term debt	\$1,649,270	\$1,760,881

(1) During November 2010, Ferrellgas, L.P. issued \$500.0 million in aggregate principal amount of new 6.50% senior notes due 2021 at an offering price equal to par. These notes are general unsecured senior obligations of Ferrellgas, L.P. and are effectively junior to all future senior secured indebtedness of Ferrellgas, L.P., to the extent of the value of the assets securing the debt, and are structurally subordinated to all existing and future indebtedness and

obligations of Ferrellgas, L.P. The senior notes bear interest from the date of issuance, payable semi-annually in arrears on May 1 and November 1 of each year. The outstanding principal amount is due on May 1, 2021. Ferrellgas, L.P. would incur prepayment penalties if it were to repay the notes prior to May 2019.

(2) During November 2013, Ferrellgas, L.P. issued \$325.0 million in aggregate principal amount of 6.75% senior notes due 2022 at an offering price equal to par. Ferrellgas, L.P. received \$319.3 million of net proceeds after deducting underwriters' fees. Ferrellgas, L.P. used the net proceeds to redeem all of its \$300.0 million 9.125% fixed rate senior notes due October 1, 2017. Ferrellgas, L.P. used the remaining proceeds to pay the related \$14.7 million make whole and consent payments, \$3.3 million in interest payments and to reduce outstanding indebtedness under the secured credit facility. During June 2014, Ferrellgas, L.P. issued an additional \$150.0 million in aggregate principal amount of 6.75% senior notes due 2022 at an offering price equal to 104% of par. Ferrellgas, L.P. used the net proceeds for general



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corporate purposes, including to repay indebtedness under its secured credit facility and to pay related transaction fees and expenses. Ferrellgas, L.P. would incur prepayment penalties if it were to repay the notes prior to November 2019.

During June 2015, Ferrellgas, L.P. issued \$500.0 million in aggregate principal amount of 6.75% senior notes due 2023 at an offering price equal to par. The senior notes bear interest from the date of issuance, payable semi-annually in arrears on June 15 and December 15 of each year. The outstanding principal amount is due on June 15, 2023. Ferrellgas, L.P. received \$491.3 million of net proceeds after deducting underwriters' fees.

(3) Ferrellgas, L.P. used the net proceeds to fund a portion of the cash portion of the consideration for the acquisition of the outstanding membership interests in Bridger Logistics, LLC and its subsidiaries with remaining amounts being used to repay outstanding borrowing under the secured credit facility after the closing of the acquisitions. Ferrellgas, L.P. would incur prepayment penalties if it were to repay the notes prior to June 2021.

The scheduled annual principal payments on long-term debt are as follows:

For the year ending July 31,	Scheduled annual principal payments
2018	\$2,578
2019	187,644
2020	1,180
2021	501,055
2022	370
Thereafter	974,978
Total	\$1,667,805

#### Secured credit facility

During January 2016, Ferrellgas, L.P. executed a commitment increase supplement to its secured credit facility that increased the size of this facility from \$600.0 million to \$700.0 million. The commitment increase supplement did not change the interest rate or maturity date of the secured credit facility which remains at October, 2018.

On September 27, 2016, Ferrellgas, L.P. entered into a fifth amendment to its secured credit facility to modify the maximum consolidated leverage ratio covenant.

On April 28, 2017, Ferrellgas, L.P. entered into sixth amendment to its secured credit facility primarily to modify the maximum consolidated leverage ratio covenant and the consolidated interest coverage ratio covenant. The amendment to our secured credit facility also (1) reduces the maximum amount available to be borrowed from \$700 million to \$575 million, (2) increases the pricing of loans when our leverage ratio is greater than or equal to 6.00x from LIBOR plus 3.50% to LIBOR plus 3.75% and when our leverage ratio is greater than or equal to 7.00x from LIBOR plus 3.50% to LIBOR plus 4.00%, (3) limits the amount of distributions (other than distributions to Ferrellgas Partners for payments of interest payable on its unsecured notes) that the operating partnership may make to Ferrellgas Partners to \$10 million per quarter (Ferrellgas Partners' current distribution rate is \$9.8 million per quarter) until the leverage ratio is less than 5.50x, (4) reduces the amount of investments we can make when our leverage ratio is greater than 5.50x from \$200 million to \$50 million, and (5) requires us to reduce our secured credit facility with 50% of the net cash proceeds received from any equity sale.

As of July 31, 2017, Ferrellgas, L.P. had total borrowings outstanding under its secured credit facility of \$245.5 million, of which \$185.7 million was classified as long-term debt. Ferrellgas, L.P. had \$190.3 million of capacity under the secured credit facility as of July 31, 2017. However, the consolidated leverage ratio covenant under this facility limits additional borrowings to \$67.5 million as of July 31, 2017. As of July 31, 2016, Ferrellgas, L.P. had

total borrowings outstanding under its secured credit facility of \$394.4 million, of which \$293.1 million was classified as long-term debt.

Borrowings outstanding at July 31, 2017 and 2016 under the secured credit facility had a weighted average interest rate of 6.0% and 3.7%, respectively. All borrowings under the secured credit facility bear interest, at Ferrellgas, L.P.'s option, at a rate equal to either:

- for Base Rate Loans or Swing Line Loans, the Base Rate, which is defined as the higher of i) the federal funds rate plus 0.50%, ii) Bank of America's prime rate; or iii) the Eurodollar Rate plus 1.00%; plus a margin varying from 0.75% to 3.00% (as of July 31, 2017 and 2016, the margin was 2.75% and 1.75%, respectively); or
- for Eurodollar Rate Loans, the Eurodollar Rate, which is defined as the LIBOR Rate plus a margin varying from 1.75% to 4.00% (as of July 31, 2017 and 2016, the margin was 3.75% and 2.75%, respectively).

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As of July 31, 2017, the federal funds rate and Bank of America's prime rate were 1.07% and 4.25%, respectively. As of July 31, 2016, the federal funds rate and Bank of America's prime rate were 0.40% and 3.50%, respectively. As of July 31, 2017, the one-month and three-month Eurodollar Rates were 1.23% and 1.31%, respectively. As of July 31, 2016, the one-month and three-month Eurodollar Rates were 0.48% and 0.68%, respectively.

In addition, an annual commitment fee is payable at a per annum rate range 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 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 July 31, 2017 totaled \$139.2 million and were used to secure commodity hedges and product purchases, and to a lesser extent, insurance arrangements. Letters of credit outstanding at July 31, 2016 totaled \$86.3 million and were used primarily to secure insurance arrangements and to a lesser extent, product purchases. At July 31, 2017, Ferrellgas, L.P. had available letter of credit remaining capacity of \$60.8 million. At July 31, 2016 Ferrellgas, L.P. had available letter of credit remaining capacity of \$113.7 million. Ferrellgas, L.P. incurred commitment fees of \$1.1 million, \$1.4 million and \$1.5 million in fiscal 2017, 2016 and 2015, respectively.

### Financial covenants

The agreements governing the operating partnership's indebtedness contain various covenants that limit our ability and the ability of specified subsidiaries to, among other things, make restricted payments and incur additional indebtedness. Our general partner believes that the most restrictive of these covenants are the consolidated leverage ratio and consolidated interest coverage ratio, as defined in our secured credit facility and our accounts receivable securitization facility.

Before a restricted payment (as defined in the secured credit facility and the operating partnership indentures) can be made by the operating partnership, the operating partnership must be in compliance with the consolidated leverage ratio and consolidated interest coverage ratio covenants under the secured credit facility and accounts receivable securitization facility and in compliance with the covenants under the operating partnerships indentures. If the operating partnership is unable to make restricted payments, Ferrellgas Partners will not have the ability to make semi-annual interest payments on its \$357.0 million 8.625% unsecured senior notes due 2020 or distributions to Ferrellgas Partners common unitholders. If Ferrellgas Partners does not make interest payments on its unsecured notes, that would constitute an event of default, which would permit the acceleration of the obligations underlying the indenture, including all outstanding principal owed. The accelerated obligations would become immediately due and payable, which would in turn trigger cross acceleration of other debt. If Ferrellgas, L.P.'s debt obligations are accelerated, Ferrellgas, L.P. may be unable to borrow sufficient funds to refinance debt in which case Ferrellgas Partners' unitholders could experience a partial or total loss of their investment.

A breach of the consolidated leverage ratio covenant or the consolidated interest coverage ratio covenant under the secured credit facility and the accounts receivable securitization facility would result in an event of default under those facilities resulting in the operating partnership's inability to obtain funds under those facilities and would give the lenders and receivables purchasers the right to accelerate the operating partnership's obligations under those facilities and to exercise remedies to collect the outstanding amounts under those facilities.

Consolidated leverage ratio

The consolidated leverage ratio is defined as the ratio of total debt of the operating partnership to trailing four quarters EBITDA (both as adjusted for certain, specified items) of the operating partnership, as detailed in Ferrellgas, L.P.'s secured credit facility.

On April 28, 2017, the maximum consolidated leverage covenant was modified as follows:

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Date	Maximum leverage ratio (prior to sixth amendment)	Maximum leverage ratio (after sixth amendment)
July 31, 2017	6.05	7.75
October 31, 2017	5.95	7.75
January 31, 2018	5.95	7.75
April 30, 2018	5.50	7.75
July 31, 2018 & thereafter	5.50	5.50

Ferrellgas, L.P.'s consolidated leverage ratio was 7.46x as of July 31, 2017; the margin allows for approximately \$67.5 million of additional borrowing capacity or approximately \$8.7 million less EBITDA. This covenant also restricts Ferrellgas L.P.'s ability to make payments to Ferrellgas Partners for purposes of funding quarterly common unit distributions as discussed above.

## Consolidated interest coverage ratio

The consolidated interest coverage ratio is defined as the ratio of trailing four quarters EBITDA to interest expense (both as adjusted for certain, specified items) of the operating partnership, as detailed in Ferrellgas' secured credit facility and accounts receivable securitization facility.

On April 28, 2017, the minimum consolidated interest coverage ratio was modified as follows:

Date	Minimum consolidated interest coverage ratio (prior to sixth amendment)	Minimum consolidated interest coverage ratio (after sixth amendment)
July 31, 2017	2.50	1.75
October 31, 2017	2.50	1.75
January 31, 2018	2.50	1.75
April 30, 2018	2.50	1.75
July 31, 2018 & thereafter	2.50	2.50

Ferrellgas L.P.'s consolidated interest coverage ratio was 1.99x at July 31, 2017; the margin allows for approximately \$15.9 million of additional interest expense or approximately \$27.8 million less EBITDA.

## Debt and interest expense reduction strategy

Ferrellgas, L.P. continues to execute on a strategy to reduce its debt and interest expense. This strategy may include issuance of Ferrellgas Partners' equity, amending existing debt agreements, asset sales or a further reduction in the operating partnership's funding of Ferrellgas Partners' annual distribution, which was reduced during the quarter ended October 31, 2016 from an annualized rate of \$2.05 to \$0.40 per common unit. Ferrellgas, L.P. believes any debt and interest expense reduction strategies would remain in effect until Ferrellgas, L.P.'s consolidated leverage ratio reaches

4.5x or a level Ferrellgas, L.P. deems appropriate for its business.

If Ferrellgas, L.P. is unsuccessful with its strategy to reduce debt and interest expense, or is unsuccessful in renegotiating its secured credit facility, which matures in October 2018, or is unable to secure alternative liquidity sources, it may not have the liquidity to fund its operations after that maturity date.

Failure to maintain compliance with these and other covenants in our agreements or failure to renew or replace liquidity available under the secured credit facility could have a material effect on Ferrellgas, L.P.'s operating capacity and cash flows and could further restrict Ferrellgas, L.P.'s ability to incur debt, pay interest on the notes or to make cash distributions to its limited and general partners, which could result in an event of default that would permit the acceleration of all of Ferrellgas, L.P.'s indebtedness. The accelerated debt would become immediately due and payable, which would in turn trigger cross-acceleration under other debt. If the payment of Ferrellgas, L.P.'s debt is accelerated, Ferrellgas, L.P.'s assets may be insufficient to repay such debt in full and Ferrellgas, L.P. may be unable to borrow sufficient funds to refinance debt, in which case the limited and general partners could experience a partial or total loss of their investment.

Further, if Ferrellgas, L.P. is unsuccessful in renegotiating our secured credit facility prior to the issuance of its first quarter Form 10-Q for the three month period ending October 31, 2017, the entire balance outstanding under the secured credit facility

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will be considered a current liability and, in the absence of a plan to renew or refinance this debt, that condition may raise substantial doubt about Ferrellgas, L.P.'s ability to continue as a going concern. Either of these events could lead to rating agency downgrades, decreases in trade credit and increased collateral requirements from Ferrellgas, L.P.'s counterparties.

## Interest rate swaps

In May 2012, Ferrellgas, L.P. entered into a \$140.0 million interest rate swap agreement to hedge against changes in fair value on a portion of its \$500.0 million 6.5% fixed rate senior notes due 2021. Ferrellgas, L.P. receives 6.5% and pays a one-month LIBOR plus 4.715%, on the \$140.0 million swapped. The operating partnership accounts for this agreement as a fair value hedge.

In May 2012, Ferrellgas, L.P. entered into a forward interest rate swap agreement to hedge against variability in forecasted interest payments on Ferrellgas, L.P.'s secured credit facility and collateralized note payable borrowings under the accounts receivable securitization facility. From August 2015 through July 2017, Ferrellgas, L.P. paid 1.95% and received variable payments based on one-month LIBOR for the notional amount of \$175.0 million. From August 2017 through July 2018, Ferrellgas, L.P. will pay 1.95% and receive variable payments based on one-month LIBOR for the notional amount of \$100.0 million. Ferrellgas, L.P. accounts for this agreement as a cash flow hedge.

## K. Partners' deficit

## Partnership quarterly distributions paid

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

	For the year ended July 31,		
	2017	2016	2015
Ferrellgas Partners	\$102,978	\$220,058	\$182,803
General partner	1,050	2,246	1,864

On August 22, 2017, Ferrellgas, L.P. declared distributions for the three months ended July 31, 2017 to Ferrellgas Partners and the general partner of \$9.8 million and \$0.1 million, respectively, which were paid on September 14, 2017.

## Other Partnership distributions

During September 2016, in connection with Ferrellgas Partners' repurchase of common units, Ferrellgas, L.P. distributed \$15.9 million to Ferrellgas Partners.

During November 2015, in connection with Ferrellgas Partners' repurchase of common units, Ferrellgas, L.P. distributed \$46.4 million and \$0.5 million to Ferrellgas Partners and the general partner, respectively.

## Bridger transaction and related distributions and contributions

During June 2015, in connection with the Bridger Logistics Acquisition, Ferrellgas, L.P. entered into the following transactions with Ferrellgas Partners and the general partner:

- Distributed \$418.9 million and \$4.3 million in cash to Ferrellgas Partners and the general partner, respectively.
- Received an asset contribution of \$822.5 million from Ferrellgas Partners.

In connection with this non-cash contribution, Ferrellgas, L.P. received a cash contribution of \$8.4 million from the general partner.

See Note E – Business combinations for details regarding the acquisition of Bridger.

#### Other partnership contributions

During fiscal 2017, Ferrellgas, L.P. received cash contributions of \$166.1 million and \$1.7 million from Ferrellgas Partners and the general partner, respectively, which were used to reduce borrowings under the secured credit facility.

During fiscal 2015, Ferrellgas, L.P. received cash contributions of \$42.2 million from Ferrellgas Partners. The proceeds were used to reduce outstanding indebtedness under Ferrellgas, L.P.'s secured credit facility.



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During fiscal 2015, Ferrellgas, L.P. received asset contributions of \$3.0 million from Ferrellgas Partners in connection with acquisitions of propane distribution assets.

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

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

See Note M – Derivative instruments and hedging activities – for details regarding changes in fair value on risk management financial derivatives recorded within AOCI for the years ended July 31, 2017 and 2016.

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 fiscal 2017, the general partner made cash contributions of \$1.7 million and non-cash contributions of \$0.2 million to Ferrellgas, L.P. to maintain its 1.0101% general partner interest.

During fiscal 2016, the general partner made non-cash contributions of \$0.4 million to Ferrellgas, L.P. to maintain its 1.0101% general partner interest.

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## L. Fair value measurements

## Derivative Financial Instruments

The following table presents Ferrellgas, L.P.'s financial assets and financial liabilities that are measured at fair value on a recurring basis for each of the fair value hierarchy levels, including both current and noncurrent portions, as of July 31, 2017 and 2016:

	Asset (Liability) Quoted Prices in Active Markets for Identical Assets (Level 2) and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
July 31, 2017:				
Assets:				
Derivative financial instruments:				
Interest rate swap agreements	\$-\$ 583	\$		—\$583
Commodity derivatives	\$-\$ 16,212	\$		—\$16,212
Liabilities:				
Derivative financial instruments:				
Interest rate swap agreements	\$-\$ (707 )	\$		—\$(707 )
Commodity derivatives	\$-\$ (1,258 )	\$		—\$(1,258 )
July 31, 2016:				
Assets:				
Derivative financial instruments:				
Interest rate swap agreements	\$-\$ 5,830	\$		—\$5,830
Commodity derivatives	\$-\$ 8,241	\$		—\$8,241
Liabilities:				
Derivative financial instruments:				
Interest rate swap agreements	\$-\$ (3,553 )	\$		—\$(3,553 )
Commodity derivatives	\$-\$ (17,689 )	\$		—\$(17,689)

## 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.

## 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. The estimated fair value of the Jamex note receivable, a financial instrument classified in "Other assets, net" on the consolidated balance sheet, is approximately \$38.4 million, or \$4.3 million less than its carrying amount as of July 31, 2017. The estimated fair value of the Jamex note receivable was calculated using a discounted cash flow method which relied on significant unobservable inputs. At July 31, 2017 and July 31, 2016, the estimated fair value of Ferrellgas, L.P.'s long-term debt instruments was \$1,645.3 million and \$1,736.2 million, respectively. Ferrellgas, L.P. 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.

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At July 31, 2016, Ferrellgas, L.P. had receivables from Jamex totaling \$44.8 million. As described in Note D – Significant transactions, as well as elsewhere in this Annual Report on Form 10-K, on September 1, 2016, Ferrellgas, L.P. entered into a group of agreements with Jamex which, among other things, Jamex agreed to execute and deliver a secured promissory note ("Jamex Secured Promissory Note") in favor of Bridger in satisfaction of all obligations owed to Bridger under the Jamex TLA, including the \$44.8 million owed to Ferrellgas, L.P. on July 31, 2016. The Jamex Secured Promissory Note is guaranteed pursuant to a guaranty agreement, jointly by James Ballengee and Bacchus (up to a maximum aggregate amount of \$20.0 million), and fully guaranteed by the other Jamex entities. The obligations of Jamex and the other Jamex entities under the Notes are secured, pursuant to a Security Agreement, by a lien on certain of those entities' assets, actively traded marketable securities and cash, which are held in a controlled account that can be seized by Ferrellgas in the event of default.

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.

M. 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 activity

During the year ended July 31, 2017 and 2016, Ferrellgas, L.P. did not recognize any gain or loss in earnings related to hedge ineffectiveness and did not exclude any component of financial derivative contract gains or losses from the assessment of hedge effectiveness related to commodity cash flow hedges.

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The following tables provide a summary of the fair value of derivatives within Ferrellgas, L.P.'s consolidated balance sheets as of July 31, 2017 and 2016:

Derivative Instrument	July 31, 2017		Liability Derivatives	
	Asset Derivatives	Fair value	Location	Fair value
Derivatives designated as hedging instruments	Location			
Commodity derivatives-propane	Prepaid expenses and other current assets	\$11,061	Other current liabilities	\$415
Commodity derivatives-propane	Other assets, net	4,413	Other liabilities	15
Interest rate swap agreements	Prepaid expenses and other current assets	583	Other current liabilities	595
Interest rate swap agreements	Other assets, net	—	Other liabilities	112
Derivatives not designated as hedging instruments				
Commodity derivatives-crude oil	Prepaid expenses and other current assets	738	Other current liabilities	828
	Total	\$16,795	Total	\$1,965
Derivative Instrument	July 31, 2016		Liability Derivatives	
	Asset Derivatives	Fair value	Location	Fair value
Derivatives designated as hedging instruments	Location			
Commodity derivatives-propane	Prepaid expenses and other current assets	\$2,263	Other current liabilities	\$10,184
Commodity derivatives-propane	Other assets, net	3,056	Other liabilities	1,597
Interest rate swap agreements	Prepaid expenses and other current assets	1,654	Other current liabilities	2,309
Interest rate swap agreements	Other assets, net	4,176	Other liabilities	1,244
Derivatives not designated as hedging instruments				
Commodity derivatives-vehicle fuel	Prepaid expenses and other current assets	—	Other current liabilities	3,996
Commodity derivatives-crude oil	Prepaid expenses and other current assets	2,922	Other current liabilities	1,912
	Total	\$14,071	Total	\$21,242

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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. Liabilities represent cash margin deposits received by Ferrellgas, L.P. for contracts that are in a positive mark-to-market position. The following tables provide a summary of cash margin balances as of July 31, 2017 and July 31, 2016, respectively:

		July 31, 2017			
		Assets		Liabilities	
Description	Location	Amount	Location	Amount	
Margin Balances	Prepaid expense and other current assets	\$ 1,778	Other current liabilities	\$ 7,729	
	Other assets, net	1,631	Other liabilities	3,073	
		\$ 3,409		\$ 10,802	

		July 31, 2016			
		Assets		Liabilities	
Description	Location	Amount	Location	Amount	
Margin Balances	Prepaid expense and other current assets	\$ 8,252	Other current liabilities	\$—	
	Other assets, net	1,275	Other liabilities	—	
		\$ 9,527		\$—	

The following table provides a summary of the effect on Ferrellgas, L.P.'s consolidated statements of comprehensive income for the years ended July 31, 2017, 2016 and 2015 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 year ended July 31,			For the year ended July 31,		
		2017	2016	2015	2017	2016	2015
Interest rate swap agreements	Interest expense	\$1,319	\$1,919	\$1,892	\$(9,100)	\$(9,100)	\$(9,100)

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The following tables provide a summary of the effect on Ferrellgas, L.P.'s consolidated statements of comprehensive income for the years ended July 31, 2017, 2016 and 2015 due to derivatives designated as cash flow hedging instruments:

		For the year ended July 31, 2017		Amount of Gain (Loss) Reclassified from AOCI into Income	
Derivative Instrument	Amount of Gain (Loss) Recognized in AOCI	Location of Gain (Loss) Reclassified from AOCI into Income	Effective portion	Ineffective portion	
Commodity derivatives	\$21,659	Cost of product sold- propane and other gas liquids sales	\$ 154	\$ —	
Interest rate swap agreements	866	Interest expense	(2,092 )	—	
	\$22,525		\$(1,938 )	\$ —	
		For the year ended July 31, 2016		Amount of Gain (Loss) Reclassified from AOCI into Income	
Derivative Instrument	Amount of Gain (Loss) Recognized in AOCI	Location of Gain (Loss) Reclassified from AOCI into Income	Effective portion	Ineffective portion	
Commodity derivatives	\$4,409	Cost of product sold- propane and other gas liquids sales	\$(24,438)	\$ —	
Interest rate swap agreements	(2,620 )	Interest expense	(2,864 )	—	
	\$1,789		\$(27,302)	\$ —	
		For the year ended July 31, 2015		Amount of Gain (Loss) Reclassified from AOCI into Income	
Derivative Instrument	Amount of Gain (Loss) Recognized in AOCI	Location of Gain (Loss) Reclassified from AOCI into Income	Effective portion	Ineffective portion	
Commodity derivatives	\$(70,291)	Cost of product sold- propane and other gas liquids sales	\$(28,059)	\$ —	
Interest rate swap agreements	(3,356 )	Interest expense	—	(199 )	
	\$(73,647)		\$(28,059)	\$(199 )	

The following table provides a summary of the effect on Ferrellgas, L.P.'s consolidated statements of comprehensive income for the year ended July 31, 2017 and 2016 due to the change in fair value of derivatives not designated as hedging instruments:

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	For the year ended July 31, 2017	
	Amount	
	of Gain	
	(Loss)	Location of Gain (Loss) Reclassified in Income
Derivatives Not Designated as Hedging Instruments	Recognized	in
	Income	
Commodity derivatives - crude oil	\$(425 )	Cost of sales - midstream operations
Commodity derivatives - vehicle fuel	\$1,090	Operating expense

	For the year ended July 31, 2016	
	Amount	
	of Gain	
	(Loss)	Location of Gain (Loss) Reclassified in Income
Derivatives Not Designated as Hedging Instruments	Recognized	in
	Income	
Commodity derivatives - crude oil	\$1,084	Cost of sales - midstream operations
Commodity derivatives - vehicle fuel	\$(4,351)	Operating expense

	For the year ended July 31, 2015	
	Amount	
	of Gain	
	(Loss)	Location of Gain (Loss) Reclassified in Income
Derivatives Not Designated as Hedging Instruments	Recognized	in
	Income	
Commodity derivatives - vehicle fuel	\$(2,412)	Operating expense

The changes in derivatives included in accumulated other comprehensive income (loss) ("AOCI") for the years ended July 31, 2017, 2016 and 2015 were as follows:

	For the year ended July 31,		
	2017	2016	2015
Gains and losses on derivatives included in AOCI			
Beginning balance	\$(9,815 )	\$(38,906)	\$6,483
Change in value on risk management commodity derivatives	21,659	4,409	(70,291 )
Reclassification of gains and losses of commodity hedges to cost of product sold - propane and other gas liquids sales, net	(154 )	24,438	28,059
Change in value on risk management interest rate derivatives	866	(2,620 )	(3,356 )
Reclassification of gains and losses on interest rate hedges to interest expense	\$2,092	\$2,864	\$199
Ending balance	\$14,648	\$(9,815 )	\$(38,906)

Ferrellgas, L.P. expects to reclassify net gains of approximately \$10.7 million to earnings during the next 12 months. These net gains 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 years ended July 31, 2017, 2016 and 2015, Ferrellgas, L.P. had no reclassifications to operations resulting from discontinuance of any cash flow hedges arising from the probability of the original forecasted transactions not occurring within the originally specified period of time defined within the hedging relationship.

As of July 31, 2017, Ferrellgas, L.P. had financial derivative contracts covering 3.3 million barrels of propane that were entered into as cash flow hedges of forward and forecasted purchases of propane.

As of July 31, 2017, Ferrellgas, L.P. had financial derivative contracts covering 0.2 million barrels of crude oil related to the hedging of crude oil line fill and inventory.

#### 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 July 31, 2017, 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 \$15.0 million.

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Ferrellgas, L.P. holds certain derivative contracts that have credit-risk-related contingent features which dictate credit limits based upon the Partnership's debt rating. As of July 31, 2017, 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 zero. There were no derivatives with credit-risk-related contingent features in a liability position on July 31, 2017 and Ferrellgas, L.P. had posted no collateral in the normal course of business related to such derivatives.

## N. 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 consolidated statements of operations as follows:

	For the year ended July 31,		
	2017	2016	2015
Operating expense	\$228,969	\$230,437	\$217,742
General and administrative expense	\$31,068	\$30,239	\$27,278

During the period in which Jamex Marketing, LLC owned at least 5% of the outstanding common units, we entered into the following transactions: on November 13, 2015, we repurchased approximately 2.4 million common units from Jamex Marketing, LLC, for approximately \$45.9 million; and, pursuant to the Jamex TLA, Bridger provided crude oil logistics services for Jamex Marketing, LLC, including the purchase, sale, transportation and storage of crude oil by truck, terminal and pipeline. During 2016 and 2015, Ferrellgas' L.P.'s total revenues from Jamex was \$62.6 million and \$9.4 million, respectively. During 2016 and 2015, Ferrellgas' L.P.'s total cost of sales from Jamex was \$3.4 million and \$8.4 million, respectively. The amounts due from and to Jamex Marketing at July 31, 2016 were \$44.8 million and \$0.0 million, respectively. Jamex Marketing, LLC did not own 5% or more of Ferrellgas Partners' outstanding common units during 2017, thus they are not disclosed as a related party.

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

## O. 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 been named as a defendant, along with a competitor, in putative class action lawsuits filed in multiple jurisdictions. The lawsuits, which were consolidated in the Western District of Missouri on October 16, 2014, allege that Ferrellgas, L.P. and a competitor coordinated in 2008 to reduce the fill level in barbecue cylinders and

combined to persuade a common customer to accept that fill reduction, resulting in increased cylinder costs to direct customers 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. The Federal Court for the Western District of Missouri has dismissed all claims brought by direct and indirect customers other than state law claims of indirect customers under Wisconsin, Maine and Vermont law. The direct customer plaintiffs filed an appeal, which resulted in a reversal of the district court's dismissal. We intend to file a petition for a writ of certiorari with the U.S. Supreme Court. The direct customer plaintiffs have agreed to a stay of the case pending a decision on the petition and, if granted, the appeal. An appeal by the indirect customer plaintiffs remains pending. 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.

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In addition, putative class action cases have been filed in California relating to residual propane remaining in the tank after use. Plaintiffs voluntarily dismissed these claims in exchange for a waiver of costs.

Ferrellgas, L.P. has been named, along with several current and former officers, in several class action lawsuits alleging violations of certain securities laws based on alleged materially false and misleading statements in certain of our public disclosures. The lawsuits, the first of which was filed on October 6, 2016 in the Southern District of New York, seek unspecified compensatory damages. Derivative lawsuits with similar allegations have been filed naming Ferrellgas, L.P. and several current and former officers and directors as defendants. Ferrellgas, L.P. believes that it has defenses and will vigorously defend these cases. Ferrellgas, L.P. does not believe loss is probable or reasonably estimable at this time related to the putative class action lawsuits or the derivative action.

On October 21, 2016, Julio E. Rios II, an Executive Vice President of the general partner and the President and Chief Executive Officer of Bridger Logistics, LLC, and Jeremy H. Gamboa, also an Executive Vice President of the general partner and the Chief Operating Officer of Bridger Logistics, LLC, both delivered notice of "good reason" for resignation to the general partner pursuant to their employment agreements alleging that the general partner had materially diminished their responsibilities and stating their intention to resign as a result if such purported material diminution was not cured within 30 days.

On November 28, 2016, Mr. Rios and Mr. Gamboa each resigned from their positions, purportedly for "good reason" pursuant to their employment agreements and made a claim for severance. In September 2017 Ferrellgas, L.P. reached a settlement with Mr. Rios and Mr. Gamboa.

Ferrellgas, L.P. and Bridger Logistics, LLC, have been named, along with two former officers, in a lawsuit filed by Eddystone Rail Company ("Eddystone") on February 2, 2017 in the Eastern District of Pennsylvania (the "EDPA Lawsuit"). Eddystone indicated that it has prevailed or settled an arbitration against Jamex Transfer Services ("JTS"), then named Bridger Transfer Services, a former subsidiary of Bridger Logistics, LLC ("Bridger"). The arbitration involved a claim against JTS for money due for deficiency payments under a contract for the use of an Eddystone facility used to offload crude from rail onto barges. Eddystone alleges that Ferrellgas, L.P. transferred assets out of JTS prior to the sale of the membership interest in JTS to Jamex Transfer Holdings, and that those transfers should be avoided so that the assets can be used to satisfy the amount owed by JTS to Eddystone under the arbitration. Eddystone also alleges that JTS was an "alter ego" of Bridger, and that Bridger therefore should be responsible for the amount owed pursuant to the arbitration. Ferrellgas, L.P. believes that Ferrellgas, L.P. and Bridger have valid defenses to these claims and to Eddystone's primary claim against JTS on the contract claim. The lawsuit does not specify a specific amount of damages that Eddystone is seeking; however, Ferrellgas, L.P. believes that the amount of such damage claims, if ultimately owed to Eddystone, likely would be material to Ferrellgas, L.P. Ferrellgas, L.P. intends to vigorously defend this claim. The lawsuit is in its very early stages; as such, management does not currently believe a loss is probable or reasonably estimable at this time. On August 24, 2017, Eddystone filed a third-party complaint against JTS, Jamex Transfer Holdings, and other related persons and entities, asserting claims for breach of contract, indemnification of any losses in the EDPA Lawsuit, tortious interference with contract, and contribution.

### Long-term debt-related commitments

Ferrellgas, L.P. has long and short-term payment obligations under agreements such as senior notes and its credit facility. See Note J – Debt – for a description of these debt obligations and a schedule of future maturities.

### Operating lease commitments and buyouts

Ferrellgas, L.P. leases certain property, plant and equipment under non-cancelable and cancelable operating leases. Amounts shown in the table below represent minimum lease payment obligations under Ferrellgas, L.P.'s third-party

operating leases with terms in excess of one year for the periods indicated. These arrangements include the leasing of transportation equipment, property, computer equipment and propane tanks. Ferrellgas, L.P. accounts for these arrangements as operating leases.

Ferrellgas, L.P. is required to recognize a liability for the fair value of guarantees. The only material guarantees Ferrellgas, L.P. has are associated with residual value guarantees of operating leases. Most of the operating leases involving Ferrellgas, L.P.'s transportation equipment contain residual value guarantees. These transportation equipment lease arrangements are scheduled to expire over the next seven fiscal years. Most of these arrangements provide that the fair value of the equipment will equal or exceed a guaranteed amount, or Ferrellgas, L.P. will be required to pay the lessor the difference. The fair value of these residual value guarantees was \$1.4 million as of July 31, 2017. Although the fair values of the underlying equipment at the end of the lease terms have historically exceeded these guaranteed amounts, the maximum potential amount of aggregate future payments Ferrellgas, L.P. could be required to make under these leasing arrangements, assuming the equipment is worthless at the end of the lease term, was \$7.9 million as of July 31, 2017. Ferrellgas, L.P. does not know of any event, demand, commitment, trend or uncertainty that would result in a material change to these arrangements.

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Operating lease buyouts represent the maximum amount Ferrellgas, L.P. would pay if it were to exercise its right to buyout the assets at the end of their lease term.

The following table summarizes Ferrellgas, L.P.'s contractual operating lease commitments and buyout obligations as of July 31, 2017:

	Future minimum rental and buyout amounts by fiscal year					
	2018	2019	2020	2021	2022	Thereafter
Operating lease obligations	\$42,083	\$32,992	\$24,959	\$18,617	\$11,886	\$13,072
Operating lease buyouts	\$3,095	\$4,205	\$2,937	\$3,302	\$6,086	\$5,069

Rental expense under these leases totaled \$50.0 million, \$49.2 million and \$45.0 million for fiscal 2017, 2016 and 2015, respectively.

#### P. Employee benefits

Ferrellgas, L.P. has no employees and is managed and controlled by its general partner. Ferrellgas, L.P. assumes all liabilities, which include specific liabilities related to the following employee benefit plans for the benefit of the officers and employees of the general partner.

Ferrell Companies makes contributions to the ESOT, which causes a portion of the shares of Ferrell Companies owned by the ESOT to be allocated to employees' accounts over time. The allocation of Ferrell Companies' shares to employee accounts causes a non-cash compensation charge to be incurred by Ferrellgas, L.P., equivalent to the fair value of such shares allocated. This non-cash compensation charge is reported separately in Ferrellgas, L.P.'s consolidated statements of operations and thus excluded from operating and general and administrative expenses. The non-cash compensation charges were \$15.1 million, \$27.6 million and \$24.7 million during fiscal 2017, 2016 and 2015, respectively. Ferrellgas, L.P. is not obligated to fund or make contributions to the ESOT.

The general partner and its parent, Ferrell Companies, have a defined contribution profit-sharing plan which includes both profit sharing and matching contribution features. The plan covers substantially all full time employees. The plan, which qualifies under section 401(k) of the Internal Revenue Code, also provides for matching contributions under a cash or deferred arrangement based upon participant salaries and employee contributions to the plan. Matching contributions for fiscal 2017, 2016 and 2015 were \$4.2 million, \$4.0 million and \$3.9 million, respectively.

The general partner has a defined benefit plan that provides participants who were covered under a previously terminated plan with a guaranteed retirement benefit at least equal to the benefit they would have received under the terminated plan. Until July 31, 1999, benefits under the terminated plan were determined by years of credited service and salary levels. As of July 31, 1999, years of credited service and salary levels were frozen. The general partner's funding policy for this plan is to contribute amounts deductible for Federal income tax purposes and invest the plan assets primarily in corporate stocks and bonds, U.S. Treasury bonds and short-term cash investments. During fiscal 2017, 2016 and 2015, other comprehensive income and other liabilities were adjusted by \$0.5 million, \$(0.3) million and \$(0.2) million, respectively.

#### Q. Segment reporting

Ferrellgas, L.P. has two primary operations that result in two reportable operating segments: propane operations and related equipment sales and midstream operations.

The chief operating decision maker evaluates the operating segments using an Adjusted EBITDA performance measure which is based on earnings (loss) before income tax expense (benefit), interest expense, depreciation and amortization expense, non-cash employee stock ownership plan compensation charge, non-cash stock-based compensation charge, asset impairments, loss on asset sales and disposal, other income (expense), net, change in fair value of contingent consideration, severance costs, litigation accrual and related legal fees associated with a class action lawsuit, acquisition and transition expenses and unrealized (non-cash) losses (gains) on changes in fair value of derivatives not designated as hedging instruments. 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, certain costs, such as compensation for 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.

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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 operations 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 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, and rail assets form a comprehensive, fee-for-service business model, and the majority 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. Water solutions generates income primarily through the operation of salt water disposal wells in the Eagle Ford shale region of south Texas. Oil and natural gas wells generate significant volumes of salt water, which are transported by truck or pipeline to salt water disposal wells where a combination of gravity and chemicals are used to separate and capture crude oil that is residual in the salt water. The crude oil is sold and the salt water is injected into underground geologic formations.

Until April 2017, Ferrellgas, L.P. utilized a structure that included two reportable segments which included propane operations and related equipment sales segment and the midstream operations - crude oil logistics segment. The results from midstream operations - water solutions segment, were reported within Corporate and other. As a result of a change in the way management is evaluating results and allocating resources, results of the water solutions business are now included in the Midstream operations segment for all periods presented.

Following is a summary of segment information for the years ended July 31, 2017, 2016 and 2015.

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## Year Ended July 31, 2017

	Propane operations and related equipment sales	Midstream operations	Corporate	Total
Segment revenues	\$1,463,574	\$466,703	\$—	\$1,930,277
Direct costs (1)	1,198,150	458,851	43,074	1,700,075
Adjusted EBITDA	\$265,424	\$7,852	\$(43,074)	\$230,202

## Year Ended July 31, 2016

	Propane operations and related equipment sales	Midstream operations	Corporate	Total
Segment revenues	\$1,414,129	\$625,238	\$—	\$2,039,367
Direct costs (1)	1,127,382	521,487	45,248	1,694,117
Adjusted EBITDA	\$286,747	\$103,751	\$(45,248)	\$345,250

## Year Ended July 31, 2015

	Propane operations and related equipment sales	Midstream operations	Corporate	Total
Segment revenues	\$1,917,201	\$107,189	\$—	\$2,024,390
Direct costs (1)	1,591,300	93,070	39,732	1,724,102
Adjusted EBITDA	\$325,901	\$14,119	\$(39,732)	\$300,288

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

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

	Year Ended July 31		
	2017	2016	2015
Net earnings (loss)	\$(29,059 )	\$(655,391 )	\$46,427
Income tax benefit	(1,149 )	(41 )	(384 )
Interest expense	127,188	121,818	84,227
Depreciation and amortization expense	103,351	150,513	98,579
EBITDA	200,331	(383,101 )	228,849
Non-cash employee stock ownership plan compensation charge	15,088	27,595	24,713
Non-cash stock-based compensation charge	3,298	9,324	25,982
Asset impairments	—	658,118	—
Loss on asset sales and disposal	14,457	30,835	7,099
Other (income) expense, net	(1,474 )	(110 )	354
Change in fair value of contingent consideration	—	(100 )	(6,300 )
Severance costs	1,959	1,453	—
Litigation accrual and related legal fees associated with a class action lawsuit	—	—	806
Acquisition and transition expenses	—	99	16,373
Unrealized (non-cash) loss (gains) on changes in fair value of derivatives	(3,457 )	1,137	2,412
Adjusted EBITDA	\$230,202	\$345,250	\$300,288

Following are total assets by segment:

	July 31, 2017	July 31, 2016
Assets		
Propane operations and related equipment sales	\$1,194,905	\$1,202,214
Midstream operations	399,356	444,126
Corporate	15,687	36,873
Total consolidated assets	\$1,609,948	\$1,683,213

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Following are capital expenditures by segment (unaudited):

Year Ended July 31, 2017  
 Propane  
 operations  
 and related  
 equipment  
 sales      Midstream  
 operations      Corporate      Total

Capital expenditures:				
Maintenance	\$ 13,330	\$ 734	\$ 3,074	\$ 17,138
Growth	28,912	315	—	29,227
Total	\$ 42,242	\$ 1,049	\$ 3,074	\$ 46,365

Year Ended July 31, 2016  
 Propane  
 operations  
 and related  
 equipment  
 sales      Midstream  
 operations      Corporate      Total

Capital expenditures:				
Maintenance	\$ 13,487	\$ 621	\$ 2,769	\$ 16,877
Growth	32,906	63,152	—	96,058
Total	\$ 46,393	\$ 63,773	\$ 2,769	\$ 112,935

Year Ended July 31, 2015  
 Propane  
 operations  
 and related  
 equipment  
 sales      Midstream  
 operations      Corporate      Total

Capital expenditures:				
Maintenance	\$ 16,020	\$ 1,072	\$ 2,357	\$ 19,449
Growth	36,958	13,430	—	50,388
Total	\$ 52,978	\$ 14,502	\$ 2,357	\$ 69,837

#### R. Quarterly data (unaudited)

The following summarized unaudited quarterly data includes all adjustments (consisting only of normal recurring adjustments, with the exception of those items indicated below), which Ferrellgas, L.P. considers necessary for a fair presentation. Due to the seasonality of the propane distribution business, first and fourth quarter Revenues, gross margin from propane and other gas liquids sales and Net earnings are consistently less than the second and third quarter results. Other factors affecting the results of operations include competitive conditions, demand for product, timing of acquisitions, variations in the weather and fluctuations in propane prices.

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For the year ended July 31, 2017	First quarter	Second quarter	Third quarter	Fourth quarter
Revenues	\$379,542	\$579,250	\$538,109	\$433,376
Gross margin from propane and other gas liquids sales (a)	123,187	202,346	171,950	126,774
Gross margin from midstream operations (b)	13,402	9,763	7,909	6,190
Net earnings (loss)	\$(39,440 )	\$42,600	\$15,395	\$(47,614 )

For the year ended July 31, 2016	First quarter	Second quarter	Third quarter	Fourth quarter
Revenues	\$471,146	\$649,238	\$509,472	\$409,511
Gross margin from propane and other gas liquids sales (a)	123,550	202,027	186,668	125,690
Gross margin from midstream operations (b)	40,066	39,890	33,572	40,476
Net earnings (loss) (c)	\$(76,536 )	\$62,187	\$23,049	\$(664,091)

For the year ended July 31, 2015	First quarter	Second quarter	Third quarter	Fourth quarter
Revenues	\$443,355	\$665,973	\$532,551	\$382,511
Gross margin from propane and other gas liquids sales (a)	129,547	230,175	191,983	128,087
Gross margin from midstream operations (b)	5,948	4,934	3,416	16,301
Net earnings (loss)	\$(29,137 )	\$90,409	\$40,404	\$(55,249 )

(a) 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."

(b) Gross margin from "Midstream operations" represents "Revenues - midstream operations" less "Cost of sales - midstream operations."

(c) Includes asset impairment charges of \$29.3 million and \$628.8 million in the first and fourth quarters of fiscal 2016, respectively.

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S. Guarantor financial information

The \$500.0 million aggregate principal amount of registered 6.75% senior notes due 2023 co-issued by Ferrellgas, L.P. and Ferrellgas Finance Corp. are fully and unconditionally and joint and severally guaranteed by all of Ferrellgas, L.P.'s 100% owned subsidiaries except: i) Ferrellgas Finance Corp; ii) certain special purposes subsidiaries formed for use in connection with our accounts receivable securitization; and iii) foreign subsidiaries. Guarantees of these senior notes will be released under certain circumstances, including (i) in connection with any sale or other disposition of (a) all or substantially all of the assets of a guarantor or (b) all of the capital stock of such guarantor (including by way of merger or consolidation), in each case, to a person that is not Ferrellgas, L.P. or a restricted subsidiary of Ferrellgas, L.P., (ii) if Ferrellgas, L.P. designates any restricted subsidiary that is a guarantor as an unrestricted subsidiary, (iii) upon defeasance or discharge of the notes, (iv) upon the liquidation or dissolution of such guarantor, or (v) at such time as such guarantor ceases to guarantee any other indebtedness of either of the issuers and any other guarantor.

The guarantor financial information discloses in separate columns the financial position, results of operations and the cash flows of Ferrellgas, L.P. (Parent), Ferrellgas Finance Corp. (co-issuer), Ferrellgas L.P.'s guarantor subsidiaries on a combined basis, and Ferrellgas L.P.'s non-guarantor subsidiaries on a combined basis. The dates and the periods presented in the guarantor financial information are consistent with the periods presented in Ferrellgas, L.P.'s consolidated financial statements.

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

	As of July 31, 2017					
	Ferrellgas, L.P. (Parent and Co-Issuer)	Ferrellgas Finance Corp. (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$5,327	\$ 1	\$ 373	\$ —	\$—	\$5,701
Accounts and notes receivable	(3,132 )	—	58,618	109,598	—	165,084
Intercompany receivables	39,877	—	—	—	(39,877 )	—
Inventories	78,963	—	13,589	—	—	92,552
Prepaid expenses and other current assets	26,106	—	7,314	6	—	33,426
Total current assets	147,141	1	79,894	109,604	(39,877 )	296,763
Property, plant and equipment, net	537,582	—	194,341	—	—	731,923
Goodwill	246,098	—	10,005	—	—	256,103
Intangible assets, net	128,209	—	122,893	—	—	251,102
Intercompany receivables	450,000	—	—	—	(450,000 )	—
Investments in consolidated subsidiaries	(53,915 )	—	—	—	53,915	—
Other assets, net	35,862	—	37,618	577	—	74,057
Total assets	\$1,490,977	\$ 1	\$ 444,751	\$ 110,181	\$(435,962 )	\$1,609,948
<b>LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)</b>						
Current liabilities:						
Accounts payable	\$44,026	\$ —	\$ 41,345	\$ 190	\$—	\$85,561
Short-term borrowings	59,781	—	—	—	—	59,781
Collateralized note payable	—	—	—	69,000	—	69,000
Intercompany payables	—	—	41,645	(1,768 )	(39,877 )	—
Other current liabilities	118,039	—	3,776	201	—	122,016
Total current liabilities	221,846	—	86,766	67,623	(39,877 )	336,358
Long-term debt	1,649,139	—	450,131	—	(450,000 )	1,649,270
Other liabilities	26,790	—	4,300	28	—	31,118
Contingencies and commitments						
Partners' capital (deficit):						
Partners' equity	(421,562 )	1	(96,446 )	42,530	53,915	(421,562 )
Accumulated other comprehensive income	14,764	—	—	—	—	14,764
Total partners' capital (deficit)	(406,798 )	1	(96,446 )	42,530	53,915	(406,798 )
Total liabilities and partners' capital (deficit)	\$1,490,977	\$ 1	\$ 444,751	\$ 110,181	\$(435,962 )	\$1,609,948

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

	As of July 31, 2016					
	Ferrellgas, L.P. (Parent and Co-Issuer)	Ferrellgas Finance Corp. (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$4,472	\$ 1	\$ 417	\$ —	\$—	\$4,890
Accounts and notes receivable	(2,703 )	—	45,822	106,464	—	149,583
Intercompany receivables	34,089	—	—	—	(34,089 )	—
Inventories	71,422	—	19,172	—	—	90,594
Prepaid expenses and other current assets	27,922	2	12,029	2	—	39,955
Total current assets	135,202	3	77,440	106,466	(34,089 )	285,022
Property, plant and equipment, net	557,460	—	217,220	—	—	774,680
Goodwill	246,098	—	10,005	—	—	256,103
Intangible assets, net	141,794	—	138,391	—	—	280,185
Intercompany receivables	450,000	—	—	—	(450,000 )	—
Investments in consolidated subsidiaries	3,630	—	—	—	(3,630 )	—
Other assets, net	37,742	—	49,016	465	—	87,223
Total assets	\$1,571,926	\$ 3	\$ 492,072	\$ 106,931	\$(487,719 )	\$1,683,213
<b>LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)</b>						
Current liabilities:						
Accounts payable	\$33,781	\$ —	\$ 34,147	\$ —	\$—	\$ 67,928
Short-term borrowings	101,291	—	—	—	—	101,291
Collateralized note payable	—	—	—	64,000	—	64,000
Intercompany payables	—	—	35,491	(1,402 )	(34,089 )	—
Other current liabilities	119,048	—	7,754	150	—	126,952
Total current liabilities	254,120	—	77,392	62,748	(34,089 )	360,171
Long-term debt	1,759,868	—	451,013	—	(450,000 )	1,760,881
Other liabilities	27,351	—	3,998	225	—	31,574
Contingencies and commitments						
Partners' capital (deficit):						
Partners' equity	(458,853 )	3	(39,684 )	43,633	(3,952 )	(458,853 )
Accumulated other comprehensive income (loss)	(10,560 )	—	(647 )	325	322	(10,560 )
Total partners' capital (deficit)	(469,413 )	3	(40,331 )	43,958	(3,630 )	(469,413 )
Total liabilities and partners' capital (deficit)	\$1,571,926	\$ 3	\$ 492,072	\$ 106,931	\$(487,719 )	\$1,683,213

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FERRELLGAS, L.P. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS  
 (in thousands)

	For the year ended July 31, 2017					
	Ferrellgas, L.P. (Parent and Co-Issuer)	Ferrellgas Finance Corp. (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Revenues:</b>						
Propane and other gas liquids sales	\$1,318,412	\$ —	\$ —	\$ —	\$ —	\$1,318,412
Midstream operations	—	—	466,703	—	—	466,703
Other	69,962	—	75,200	—	—	145,162
Total revenues	1,388,374	—	541,903	—	—	1,930,277
<b>Costs and expenses:</b>						
Cost of sales - propane and other gas liquids sales	694,155	—	—	—	—	694,155
Cost of sales - midstream operations	—	—	429,439	—	—	429,439
Cost of sales - other	8,473	—	58,794	—	—	67,267
Operating expense	398,584	—	38,188	95	(4,455)	432,412
Depreciation and amortization expense	72,919	—	30,183	249	—	103,351
General and administrative expense	44,810	5	4,663	—	—	49,478
Equipment lease expense	28,560	—	564	—	—	29,124
Non-cash employee stock ownership plan compensation charge	15,088	—	—	—	—	15,088
Loss on asset sales and disposal	9,198	—	5,259	—	—	14,457
Operating income (loss)	116,587	(5)	(25,187)	(344)	4,455	95,506
Interest expense	(80,866)	—	(43,839)	(2,480)	(3)	(127,188)
Other income (expense), net	850	—	624	4,452	(4,452)	1,474
Earnings (loss) before income taxes	36,571	(5)	(68,402)	1,628	—	(30,208)
Income tax expense (benefit)	217	—	(1,366)	—	—	(1,149)
Equity in earnings (loss) of subsidiaries	(65,413)	—	—	—	65,413	—
Net earnings (loss)	(29,059)	(5)	(67,036)	1,628	65,413	(29,059)
Other comprehensive income	25,324	—	—	—	—	25,324
Comprehensive income (loss)	\$(3,735)	\$(5)	\$(67,036)	\$1,628	\$65,413	\$(3,735)

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FERRELLGAS, L.P. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS  
 (in thousands)

	For the year ended July 31, 2016					
	Ferrellgas, L.P. (Parent and Co-Issuer)	Ferrellgas Finance Corp. (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Revenues:</b>						
Propane and other gas liquids sales	\$1,202,368	\$ —	\$ —	\$ —	\$ —	\$1,202,368
Midstream operations	—	—	625,238	—	—	625,238
Other	73,200	—	138,561	—	—	211,761
Total revenues	1,275,568	—	763,799	—	—	2,039,367
<b>Costs and expenses:</b>						
Cost of sales - propane and other gas liquids sales	564,433	—	—	—	—	564,433
Cost of sales - midstream operations	(1,545 )	—	472,779	—	—	471,234
Cost of sales - other	8,867	—	117,370	—	—	126,237
Operating expense	399,680	—	58,789	4,028	(3,319 )	459,178
Depreciation and amortization expense	75,059	—	75,212	242	—	150,513
General and administrative expense	50,592	7	5,516	—	—	56,115
Equipment lease expense	28,322	—	511	—	—	28,833
Non-cash employee stock ownership plan compensation charge	27,595	—	—	—	—	27,595
Asset impairments	—	—	658,118	—	—	658,118
Loss on asset sales and disposal	9,180	—	21,655	—	—	30,835
Operating income (loss)	113,385	(7 )	(646,151 )	(4,270 )	3,319	(533,724 )
Interest expense	(77,493 )	—	(42,325 )	(2,186 )	186	(121,818 )
Other income (expense), net	110	—	—	3,505	(3,505 )	110
Earnings (loss) before income taxes	36,002	(7 )	(688,476 )	(2,951 )	—	(655,432 )
Income tax expense (benefit)	839	—	(880 )	—	—	(41 )
Equity in earnings (loss) of subsidiaries	(690,554 )	—	—	—	690,554	—
Net earnings (loss)	(655,391 )	(7 )	(687,596 )	(2,951 )	690,554	(655,391 )
Other comprehensive income	28,758	—	—	—	—	28,758
Comprehensive income (loss)	\$(626,633 )	\$(7 )	\$(687,596 )	\$(2,951 )	\$690,554	\$(626,633 )

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FERRELLGAS, L.P. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS  
 (in thousands)

	For the year ended July 31, 2015					
	Ferrellgas, L.P. (Parent and Co-Issuer)	Ferrellgas Finance Corp. (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Revenues:</b>						
Propane and other gas liquids sales	\$ 1,657,016	\$ —	\$ —	\$ —	\$ —	\$ 1,657,016
Midstream operations	—	—	107,189	—	—	107,189
Other	73,704	—	186,481	—	—	260,185
Total revenues	1,730,720	—	293,670	—	—	2,024,390
<b>Costs and expenses:</b>						
Cost of sales - propane and other gas liquids sales	977,224	—	—	—	—	977,224
Cost of sales - midstream operations	—	—	76,590	—	—	76,590
Cost of sales - other	7,649	—	163,048	—	—	170,697
Operating expense	413,112	—	25,189	5,206	(6,154)	437,353
Depreciation and amortization expense	75,834	—	22,745	—	—	98,579
General and administrative expense	76,250	4	984	—	—	77,238
Equipment lease expense	24,213	—	60	—	—	24,273
Non-cash employee stock ownership plan compensation charge	24,713	—	—	—	—	24,713
Loss on asset sales and disposal	7,095	—	4	—	—	7,099
Operating income (loss)	124,630	(4)	5,050	(5,206)	6,154	130,624
Interest expense	(72,765)	—	(8,499)	(2,622)	(341)	(84,227)
Other income (expense), net	(354)	—	—	5,813	(5,813)	(354)
Earnings (loss) before income taxes	51,511	(4)	(3,449)	(2,015)	—	46,043
Income tax expense (benefit)	292	—	(676)	—	—	(384)
Equity in earnings (loss) of subsidiaries	(4,792)	—	—	—	4,792	—
Net earnings (loss)	46,427	(4)	(2,773)	(2,015)	4,792	46,427
Other comprehensive income (loss)	(45,576)	—	2	(4)	2	(45,576)
Comprehensive income (loss)	\$ 851	\$ (4)	\$ (2,771)	\$ (2,019)	\$ 4,794	\$ 851

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

	For the year ended July 31, 2017					
	Ferrellgas, L.P. (Parent and Co-Issuer)	Ferrellgas Finance Corp. (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net cash provided by (used in) operating activities	\$ 185,640	\$ (5 )	\$ (36,297 )	\$ 4,410	\$ (5,000 )	\$ 148,748
Cash flows from investing activities:						
Business acquisitions, net of cash acquired	(3,539 )	—	—	—	—	(3,539 )
Capital expenditures	(49,107 )	—	(1,365 )	—	—	(50,472 )
Proceeds from sale of assets	8,510	—	—	—	—	8,510
Cash collected for purchase of interest in accounts receivable	—	—	—	1,011,244	(1,011,244)	—
Cash remitted to Ferrellgas, L.P for accounts receivable	—	—	—	(1,016,244)	1,016,244	—
Net changes in advances with consolidated entities	(33,573 )	—	—	360	33,213	—
Other	(37 )	—	—	—	—	(37 )
Net cash used in investing activities	(77,746 )	—	(1,365 )	(4,640 )	38,213	(45,538 )
Cash flows from financing activities:						
Distributions	(119,879 )	—	—	—	—	(119,879 )
Contributions	167,843	—	—	—	—	167,843
Proceeds from issuance of long-term debt	62,864	—	—	—	—	62,864
Payments on long-term debt	(174,292 )	—	—	—	—	(174,292 )
Net reductions in short-term borrowings	(41,510 )	—	—	—	—	(41,510 )
Net additions to collateralized short-term borrowings	—	—	—	5,000	—	5,000
Net changes in advances with parent	—	5	37,618	(4,410 )	(33,213 )	—
Cash paid for financing costs	(2,065 )	—	—	(360 )	—	(2,425 )
Net cash provided by (used in) financing activities	(107,039 )	5	37,618	230	(33,213 )	(102,399 )
Increase (decrease) in cash and cash equivalents	855	—	(44 )	—	—	811
Cash and cash equivalents - beginning of year	4,472	1	417	—	—	4,890
Cash and cash equivalents - end of year	\$ 5,327	\$ 1	\$ 373	\$ —	\$ —	\$ 5,701

FERRELLGAS, L.P.  
 AND  
 SUBSIDIARIES

CONDENSED  
CONSOLIDATING  
STATEMENTS OF  
CASH FLOWS

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(in thousands)

	For the year ended July 31, 2016					
	Ferrellgas, L.P. (Parent and Co-Issuer)	Ferrellgas Finance Corp. (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net cash provided by (used in) operating activities	\$ 102,569	\$ (9 )	\$ 89,728	\$ 14,456	\$ 6,000	\$ 212,744
Cash flows from investing activities:						
Business acquisitions, net of cash acquired	(15,144 )	—	—	—	—	(15,144 )
Capital expenditures	(52,501 )	—	(65,017 )	—	—	(117,518 )
Proceeds from sale of assets	17,089	—	—	—	—	17,089
Cash collected for purchase of interest in accounts receivable	—	—	—	946,804	(946,804 )	—
Cash remitted to Ferrellgas, L.P for accounts receivable	—	—	—	(940,804 )	940,804	—
Net changes in advances with consolidated entities	38,759	—	—	—	(38,759 )	—
Other	(286 )	—	—	—	—	(286 )
Net cash provided by (used in) investing activities	(12,083 )	—	(65,017 )	6,000	(44,759 )	(115,859 )
Cash flows from financing activities:						
Distributions	(269,541 )	—	—	—	—	(269,541 )
Contributions	30	—	—	—	—	30
Proceeds from issuance of long-term debt	168,117	—	—	—	—	168,117
Payments on long-term debt	(14,959 )	—	—	—	—	(14,959 )
Net additions to short-term borrowings	25,972	—	—	—	—	25,972
Net reductions in collateralized short-term borrowings	—	—	—	(6,000 )	—	(6,000 )
Net changes in advances with parent	—	9	(24,314 )	(14,454 )	38,759	—
Cash paid for financing costs	(1,214 )	—	—	—	—	(1,214 )
Net cash provided by (used in) financing activities	(91,595 )	9	(24,314 )	(20,454 )	38,759	(97,595 )
Effect of exchange rate changes on cash	2	—	—	(2 )	—	—
Increase (decrease) in cash and cash equivalents	(1,107 )	—	397	—	—	(710 )
Cash and cash equivalents - beginning of year	5,579	1	20	—	—	5,600
Cash and cash equivalents - end of year	\$ 4,472	\$ 1	\$ 417	\$ —	\$ —	\$ 4,890



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

	For the year ended July 31, 2015					
	Ferrellgas, L.P. (Parent and Co-Issuer)	Ferrellgas Finance Corp. (Co-Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net cash provided by (used in) operating activities	\$ 197,740	\$ (4 )	\$ (12,875 )	\$ 10,627	\$ 21,000	\$ 216,488
Cash flows from investing activities:						
Business acquisitions, net of cash acquired	(71,750 )	—	(7,177 )	—	—	(78,927 )
Capital expenditures	(56,955 )	—	(15,526 )	—	—	(72,481 )
Proceeds from sale of assets	5,905	—	—	—	—	5,905
Cash collected for purchase of interest in accounts receivable	—	—	—	1,299,325	(1,299,325)	—
Cash remitted to Ferrellgas, L.P for accounts receivable	—	—	—	(1,278,325 )	1,278,325	—
Net changes in advances with consolidated entities	(24,493 )	—	—	—	24,493	—
Other	(14 )	—	—	—	—	(14 )
Net cash provided by (used in) investing activities	(147,307 )	—	(22,703 )	21,000	3,493	(145,517 )
Cash flows from financing activities:						
Distributions	(607,875 )	—	—	—	—	(607,875 )
Contributions	51,047	—	—	—	—	51,047
Proceeds from issuance of long-term debt	628,134	—	—	—	—	628,134
Payments on long-term debt	(119,457 )	—	—	—	—	(119,457 )
Net additions to short-term borrowings	5,800	—	—	—	—	5,800
Net reductions in collateralized short-term borrowings	—	—	—	(21,000 )	—	(21,000 )
Net changes in advances with parent	—	4	35,114	(10,625 )	(24,493 )	—
Cash paid for financing costs	(10,301 )	—	—	—	—	(10,301 )
Net cash provided by (used in) financing activities	(52,652 )	4	35,114	(31,625 )	(24,493 )	(73,652 )
Effect of exchange rate changes on cash	—	—	—	(2 )	—	(2 )
Decrease in cash and cash equivalents	(2,219 )	—	(464 )	—	—	(2,683 )
Cash and cash equivalents - beginning of year	7,798	1	484	—	—	8,283
Cash and cash equivalents - end of year	\$ 5,579	\$ 1	\$ 20	\$ —	\$ —	\$ 5,600



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T. Subsequent events

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

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

Ferrellgas Finance Corp.

We have audited the accompanying balance sheets of Ferrellgas Finance Corp. (a Delaware corporation) (the “Company”) as of July 31, 2017 and 2016, and the related statements of operations, stockholder’s equity, and cash flows for each of the three years in the period ended July 31, 2017. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ferrellgas Finance Corp. as of July 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Kansas City, Missouri

September 28, 2017

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## FERRELLGAS FINANCE CORP.

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

## BALANCE SHEETS

	July 31,	
	2017	2016
<b>ASSETS</b>		
Cash	\$1,100	\$1,100
Other current assets	1,500	1,500
Total assets	\$2,600	\$2,600
Contingencies and commitments (Note B)		
<b>STOCKHOLDER'S EQUITY</b>		
Common stock, \$1.00 par value; 2,000 shares authorized; 1,000 shares issued and outstanding	\$1,000	\$1,000
Additional paid in capital	67,336	61,820
Accumulated deficit	(65,736)	(60,220)
Total stockholder's equity	\$2,600	\$2,600
See notes to financial statements.		

## FERRELLGAS FINANCE CORP.

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

## STATEMENTS OF OPERATIONS

	For the year ended July 31,		
	2017	2016	2015
General and administrative expense	\$5,516	\$7,053	\$4,108
Net loss	\$(5,516)	\$(7,053)	\$(4,108)
See notes to financial statements.			

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## FERRELLGAS FINANCE CORP.

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

## STATEMENTS OF STOCKHOLDER'S EQUITY

	Common stock	Additional paid in capital	Accumulated deficit	Total stockholder's equity
	Shares	Dollars		
July 31, 2014	1,000	\$ 1,000	\$ 49,159	\$ (49,059 ) \$ 1,100
Capital contribution	—	—	4,108	— 4,108
Net loss	—	—	—	(4,108 ) (4,108 )
July 31, 2015	1,000	1,000	53,267	(53,167 ) 1,100
Capital contribution	—	—	8,553	— 8,553
Net loss	—	—	—	(7,053 ) (7,053 )
July 31, 2016	1,000	1,000	61,820	(60,220 ) 2,600
Capital contribution	—	—	5,516	— 5,516
Net loss	—	—	—	(5,516 ) (5,516 )
July 31, 2017	1,000	\$ 1,000	\$ 67,336	\$ (65,736 ) \$ 2,600

See notes to financial statements.

## FERRELLGAS FINANCE CORP.

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

## STATEMENTS OF CASH FLOWS

	For the year ended July 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net loss	\$ (5,516)	\$ (7,053)	\$ (4,108)
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	—	(1,500 )	—
Cash used in operating activities	(5,516 )	(8,553 )	(4,108 )
Cash flows from financing activities:			
Capital contribution	5,516	8,553	4,108
Cash provided by financing activities	5,516	8,553	4,108
Change in cash	—	—	—
Cash - beginning of year	1,100	1,100	1,100
Cash - end of year	\$ 1,100	\$ 1,100	\$ 1,100

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FERRELLGAS FINANCE CORP.

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

NOTES TO 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 Partnership contributed \$1,000 to the Finance Corp. on January 24, 2003 in exchange for 1,000 shares of common stock.

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.

The senior notes agreements contain various restrictive covenants applicable to the Partnership and its subsidiaries, the most restrictive relating to additional indebtedness and restricted payments. As of July 31, 2017, the Partnership is in compliance with all requirements, tests, limitations and covenants related to these debt agreements.

C. Income taxes

Income taxes have been computed separately as the Finance Corp. files its own income tax return. Deferred income taxes are provided as a result of temporary differences between financial and tax reporting using the asset/liability method. Deferred income taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and tax basis of existing assets and liabilities.

Due to the inability of the Finance Corp. to utilize the deferred tax benefit of \$25,591 associated with the net operating loss carryforward of \$65,787, which expires at various dates through July 31, 2037, a valuation allowance has been provided on the full amount of the deferred tax asset. Accordingly, there is no net deferred tax benefit for fiscal 2017, 2016 or 2015, and there is no net deferred tax asset as of July 31, 2017 and 2016.

D. Subsequent events

The Finance Corp. has evaluated events and transactions occurring after the balance sheet date through the date the Finance Corp.’s consolidated financial statements were issued, and concluded that there were no events or transactions occurring during this period that required recognition or disclosure in its financial statements.

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INDEX TO FINANCIAL STATEMENT SCHEDULES

	Page
Ferrellgas Partners, L.P. and Subsidiaries	
<u>Schedule I</u> <u>Parent Only Balance Sheets as of July 31, 2016 and 2015 and Statements of Operations and Cash Flows for the years ended July 31, 2016, 2015 and 2014</u>	<u>S-2</u>
<u>Schedule II</u> <u>Valuation and Qualifying Accounts for the years ended July 31, 2016, 2015 and 2014</u>	<u>S-4</u>
Ferrellgas, L.P. and Subsidiaries	
<u>Schedule II</u> <u>Valuation and Qualifying Accounts for the years ended July 31, 2016, 2015 and 2014</u>	<u>S-5</u>
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	Schedule 1		
FERRELLGAS PARTNERS, L.P. PARENT ONLY BALANCE SHEETS (in thousands, except unit data)			
	July 31,		
	2017	2016	
ASSETS			
Cash and cash equivalents	\$59	\$75	
Prepaid expenses and other current assets	4	18	
Total assets	\$63	\$93	
LIABILITIES AND PARTNERS' DEFICIT			
Other current liabilities	\$4,250	\$2,006	
Long-term debt	346,525	180,454	
Investment in Ferrellgas, L.P.	402,866	464,690	
Partners' deficit			
Common unitholders (97,152,665 and 98,002,665 units outstanding at 2017 and 2016, respectively)	(701,188)	(570,754)	
General partner unitholder (989,926 units outstanding at 2017 and 2016)	(66,991)	(65,835)	
Accumulated other comprehensive income (loss)	14,601	(10,468)	
Total Ferrellgas Partners, L.P. partners' deficit	(753,578)	(647,057)	
Total liabilities and partners' deficit	\$63	\$93	
FERRELLGAS PARTNERS, L.P. PARENT ONLY STATEMENTS OF OPERATIONS (in thousands)			
	For the year ended July 31,		
	2017	2016	2015
Equity in earnings (loss) of Ferrellgas, L.P.	\$(28,765)	\$(648,771)	\$45,958
Operating, general and administrative expense	139	520	104
Operating income (loss)	(28,904 )	(649,291 )	45,854
Interest expense	(25,297 )	(16,119 )	(16,169 )
Income tax expense (benefit)	6	5	(69 )
Other income	—	—	4
Net earnings (loss)	\$(54,207)	\$(665,415)	\$29,620

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FERRELLGAS PARTNERS, L.P.  
PARENT ONLY  
STATEMENTS OF CASH FLOWS  
(in thousands)

	For the year ended July 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net earnings (loss) attributable to Ferrellgas Partners, L.P.	\$(54,207)	\$(665,415)	\$29,620
Reconciliation of net earnings (loss) to net cash used in operating activities:			
Other	3,982	(1,743)	2,922
Equity in earnings (loss) of Ferrellgas, L.P.	28,765	648,771	(45,958)
Net cash used in operating activities	(21,460)	(18,387)	(13,416)
Cash flows from investing activities:			
Business acquisitions, net of cash acquired	—	—	(562,500)
Distributions received from Ferrellgas, L.P.	118,829	266,818	601,736
Cash contributed to Ferrellgas, L.P.	(166,148)	—	(42,224)
Net cash provided by (used in) investing activities	(47,319)	266,818	(2,988)
Cash flows from financing activities:			
Distributions paid to common and general partner unitholders	(79,733)	(204,160)	(167,105)
Cash paid for financing costs	(3,653)	—	—
Proceeds from issuance of long-term debt	168,000	—	—
Proceeds from equity offering, net of issuance costs of \$648 for the year ended July 31, 2015	—	—	181,008
Repurchase of common units (including fees of \$34 for the year ended July 31, 2016)	(15,851)	(46,432)	—
Proceeds from exercise of common unit options	—	182	91
Cash contribution from general partners in connection with common unit issuances	—	2	4,456
Net cash provided by (used in) financing activities	68,763	(250,408)	18,450
Increase (decrease) in cash and cash equivalents	(16)	(1,977)	2,046
Cash and cash equivalents - beginning of year	75	2,052	6
Cash and cash equivalents - end of year	\$59	\$75	\$2,052

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				Schedule II
FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES VALUATION AND QUALIFYING ACCOUNTS (in thousands)				
Description	Balance at beginning of period	Charged to cost and expenses	Other	Balance at end of period
Year ended July 31, 2017				
Allowance for doubtful accounts	\$ 5,526	\$ 7	\$(3,557) (1)	\$ 1,976
Year ended July 31, 2016				
Allowance for doubtful accounts	\$ 4,816	\$ 1,703	\$(993 ) (1)	\$ 5,526
Year ended July 31, 2015				
Allowance for doubtful accounts	\$ 4,756	\$ 3,419	\$(3,359) (1)	\$ 4,816
(1)Uncollectible accounts written off, net of recoveries.				

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				Schedule II
FERRELLGAS, L.P. AND SUBSIDIARIES VALUATION AND QUALIFYING ACCOUNTS (in thousands)				
Description	Balance at beginning of period	Charged to cost and expenses	Other	Balance at end of period
Year ended July 31, 2017				
Allowance for doubtful accounts	\$ 5,526	\$ 7	\$(3,557) (1)	\$ 1,976
Year ended July 31, 2016				
Allowance for doubtful accounts	\$ 4,816	\$ 1,703	\$(993 ) (1)	\$ 5,526
Year ended July 31, 2015				
Allowance for doubtful accounts	\$ 4,756	\$ 3,419	\$(3,359) (1)	\$ 4,816
(1)Uncollectible accounts written off, net of recoveries.				

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The exhibits listed below are furnished as part of this Annual Report on Form 10-K. 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	<u>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.</u>
3.1	<u>Certificate of Limited Partnership of Ferrellgas Partners, L.P. Incorporated by reference to Exhibit 3.1 to our Annual Report on Form 10-K filed September 29, 2015.</u>
3.2	<u>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.</u>
3.3	<u>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.</u>
3.4	<u>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.</u>
3.5	<u>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.</u>
3.6	<u>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.</u>
3.7	<u>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.</u>
3.8	<u>Certificate of Limited Partnership of Ferrellgas, L.P. Incorporated by reference to Exhibit 3.9 to our Annual Report on Form 10-K filed September 29, 2015.</u>
3.9	<u>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.</u>
3.10	<u>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.</u>
3.11	<u>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.</u>
4.1	<u>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.</u>

- 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; File No. 001-11331; 000-50182; 000-50183 and 333-06693.
- 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; File No. 001-11331; 000-50182; 000-50183 and 333-06693.
- 4.5 Second Supplemental Indenture dated as of January 30, 2017, by and among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp. and U.S. Bank National Association, as trustee. Incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K filed January 30, 2017.
- 4.6 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; File No. 001-11331; 000-50182; 000-50183 and 333-06693.
- 4.7 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.
- 4.8 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.
- 4.9 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.
- 4.10 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; File No. 001-11331; 000-50182; 000-50183 and 333-06693.



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- 4.11 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.
- 4.12 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.
- 4.13 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.
- 4.14 Registration Rights Agreement dated as of January 30, 2017 by and among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the initial purchasers referred to therein. Incorporated by reference to Exhibit 4.4 to our Current Report on Form 8-K filed January 30, 2017.
- 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; File No. 001-11331; 000-50182; 000-50183 and 333-06693.
- 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 Quarterly Report on Form 10-Q 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; File No. 001-11331; 000-50182; 000-50183 and 333-06693.
- 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; File No. 001-11331; 000-50182; 000-50183 and 333-06693.
- 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; File No.

- 001-11331; 000-50182; 000-50183 and 333-06693.
- 10.9 Second Amendment to Receivables Purchase Agreement dated as of April 1, 2014, 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 10.1 to our Current Report on Form 8-K filed April 4, 2014.
- 10.10 Third Amendment to Receivables Purchase Agreement dated as of July 27, 2016, 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 10.1 to our Current Report on Form 8-K filed July 27, 2016.
- #10.11 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; File No. 001-11331; 000-50182; 000-50183 and 333-06693.
- #10.12 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.
- #10.13 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; File No. 001-11331; 000-50182; 000-50183 and 333-06693.
- #10.14 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.
- #10.15 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.
- #10.16 Employment Agreement dated as of August 10, 2009 by and between Ferrellgas, Inc. as the company and Tod Brown as the executive. Incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K filed September 29, 2014.
- 10.17 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; File No. 001-11331; 000-50182; 000-50183 and 333-06693.
- #10.18 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; File No. 001-11331; 000-50182; 000-50183 and 333-06693.
- 10.19 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.
- #10.20 Ferrell Companies, Inc. 2015 Deferred Appreciation Rights Plan, dated as of July 31, 2015. Incorporated by reference to Exhibit 10.23 to our Annual Report on Form 10-K filed September 29, 2015.

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- # 10.21 Employment agreement dated July 10, 2015 by and between Ferrellgas, Inc. as the company and Alan C. Heitmann as the executive. Incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed July 15, 2015.
- # 10.22 Employment agreement dated as of May 29, 2015 by and between Ferrellgas, Inc. as the company and Julio E. Rios, II as the executive. Incorporated by reference to Exhibit 10.25 to our Annual Report on Form 10-K filed September 29, 2015.
- # 10.23 Employment agreement dated as of May 29, 2015 by and between Ferrellgas, Inc. as the company and Jeremy H. Gamboa as the executive. Incorporated by reference to Exhibit 10.26 to our Annual Report on Form 10-K filed September 29, 2015.
- # 10.24 Employment agreement dated as of May 28, 2015 by and between Ferrellgas, Inc. as the company and Thomas M. Van Buren as the executive. Incorporated by reference to Exhibit 10.27 to our Annual Report on Form 10-K filed September 29, 2015.
- + 10.25 Transportation Logistics Agreement, dated June 24, 2015, by and between Ferrellgas Partners, L.P. and Bridger, L.L.C. Incorporated by reference to Exhibit 10.28 to our Annual Report on Form 10-K filed September 29, 2015.
- 10.26 Termination, Settlement and Release Agreement dated September 1, 2016, by and between Jamex, LLC, Jamex Marketing, LLC, Jamex Unitholder, LLC, and, together with Jamex and Jamex Parent, and James Ballengee, on the one hand, and Ferrellgas Partners, L.P. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed September 2, 2016.
- 10.27 Common Unit Repurchase Agreement, dated as of November 13, 2015, by and between Jamex Marketing, LLC and Ferrellgas Partners, L.P. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed November 13, 2015.
- 10.28 Secured Promissory Note dated September 1, 2016 between Jamex Marketing, LLC and Bridger Logistics, LLC. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed September 2, 2016.
- 10.29 Secured Revolving Promissory Note dated September 1, 2016 between Jamex Marketing, LLC and Ferrellgas, L.P. Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed September 2, 2016.
- 10.30 Guaranty Agreement dated September 1, 2016 by James Ballengee and Bacchus Capital Trading, LLC in favor of Bridger Logistics, LLC. Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed September 2, 2016.
- 10.31 Guaranty Agreement (Term Note) dated September 1, 2016 by the Guarantors party thereto in favor of Bridger Logistics, LLC. Incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K filed September 2, 2016.
- 10.32 Guaranty Agreement (Working Capital Note) dated September 1, 2016 by the Guarantors party thereto in favor of Ferrellgas, L.P. Incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K filed September 2, 2016.
- 10.33 Security Agreement dated September 1, 2016 by the Grantors party thereto in favor of Ferrellgas, L.P. as collateral agent for itself and for the benefit of Bridger Logistics, LLC. Incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K filed September 2, 2016.
- 10.34 Agreement and release dated September 27, 2016 by and between Stephen L. Wambold and Ferrellgas, Inc., Ferrell Companies, Inc., Ferrellgas Partners, L.P. and Ferrellgas, L.P. Incorporated by reference to Exhibit 10.36 to our Current Report on Form 10-K filed September 28, 2016.
- 10.35 Amendment No. 5 to Credit Agreement dated as of September 27, 2016, by and among Ferrellgas, L.P. as the borrower, Ferrellgas, Inc. as the general partner of the borrower, Bank of America, N.A. as

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- administrative agent, swing line lender and L/C issuer, and the lenders party hereto. Incorporated by reference to Exhibit 10.37 to our Current Report on Form 10-K filed September 28, 2016.
- 10.36 Fourth Amendment to Receivables Purchase Agreement dated as of September 27, 2016, 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 10.38 to our Current Report on Form 10-K filed September 28, 2016.
- 10.37 Amendment No. 6 to Credit Agreement and Amendment No. 3 to Security Agreement, dated as of April 28, 2017, 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 May 2, 2017.
- 10.38 Amendment No. 5 to Receivables Purchase Agreement dated as of April 28, 2017, 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 May 2, 2017.
- # 10.39 Tod D. Brown Agreement and Release. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed January 19, 2017.
- # 10.40 Thomas M. Van Buren Agreement and Release. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed September 15, 2017.
- 10.41 Purchase Agreement dated January 24, 2017 by and among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, L.P., Ferrellgas, Inc. and the initial purchasers named therein. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed January 30, 2017.
- \* 10.42 Settlement Agreement and Release dated September 25, 2017 by and between Julio E. Rios, II, and Ferrellgas, Inc.
- \* 10.43 Settlement Agreement and Release dated September 25, 2017 by and between Jeremy Gamboa, and Ferrellgas, Inc.
- \* 21.1 List of subsidiaries
- \* 23.1 Consent of Grant Thornton LLP, independent registered public accounting firm, for the certain use of its report appearing in the Annual Report on Form 10-K of Ferrellgas Partners, L.P. for the year ended July 31, 2017.
- \* 31.1 Certification of Ferrellgas Partners, L.P. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.

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- \* 31.2 Certification of Ferrellgas Partners Finance Corp. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
- \* 31.3 Certification of Ferrellgas, L.P. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
- \* 31.4 Certification of Ferrellgas Finance Corp. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
- \* 32.1 Certification of Ferrellgas Partners, L.P. pursuant to 18 U.S.C. Section 1350.
- \* 32.2 Certification of Ferrellgas Partners Finance Corp. pursuant to 18 U.S.C. Section 1350.
- \* 32.3 Certification of Ferrellgas, L.P. pursuant to 18 U.S.C. Section 1350.
- \* 32.4 Certification of Ferrellgas Finance Corp. pursuant to 18 U.S.C. Section 1350.
- \* 101.INS XBRL Instance Document.
- \* 101.SCH XBRL Taxonomy Extension Schema Document.
- \* 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- \* 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- \* 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- \* 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
  
- \* Filed herewith
- # Management contracts or compensatory plans.
- @ 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 granted with respect to certain portions of this exhibit. Omitted portions have been filed separately with the SEC.