# FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-03-17** | Period of Report: **1994-01-31**
**SEC Accession No.** 0000811082-94-000003

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## FILER

**FERRELLGAS INC**

CIK:**811082**| IRS No.: **731285864** | State of Incorp.:**DE** | Fiscal Year End: **0731**
Type: **10-Q** | Act: **34** | File No.: **033-12285** | Film No.: **94516419**
SIC: **5900** Miscellaneous retail

Business Address
*ONE LIBERTY PLZ*
*LIBERTY MO 64068*
*8167926808*

**FERRELL COMPANIES INC**

CIK:**811083**| IRS No.: **480587968** | State of Incorp.:**KS** | Fiscal Year End: **0731**
Type: **10-Q** | Act: **34** | File No.: **033-38482-02** | Film No.: **94516420**
SIC: **5900** Miscellaneous retail

Mailing Address
*ONE LIBERTY PLAZA*
*LIBERTY MO 64068*

Business Address
*ONE LIBERTY PLZ*
*LIBERTY MO 64068*
*8167926808*

**ONE LIBERTY OIL CO**

CIK:**811084**| IRS No.: **431180681** | State of Incorp.:**MO** | Fiscal Year End: **0731**
Type: **10-Q** | Act: **34** | File No.: **033-38482-03** | Film No.: **94516421**
SIC: **5900** Miscellaneous retail

Mailing Address
*ONE LIBERTY PLAZA*
*LIBERTY MO 64068*

Business Address
*ONE LIBERTY PLZ*
*LIBERTY MO 64068*
*8167921600*

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(X) Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For quarter ended January 31, 1994

Commission file number 33-38482

Ferrellgas, Inc.
Ferrell Companies, Inc.
One Liberty Oil Company

(Exact name of registrants as specified in their charters)

| | |
|---|---|
| Delaware | 73-1285864 |
| Kansas | 48-0587968 |
| Missouri | 43-1180681 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Nos.) |

One Liberty Plaza, Liberty, Missouri 64068

(Address of principal executive offices)

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

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of January 31, 1994:

| | | |
|---|---|---|
| Ferrellgas, Inc. - | 990 | shares of $1 par value common stock |
| Ferrell Companies, Inc.- | 2,573,100 | shares of Class A common stock |
| | 19,277 | shares of $.01 par value Class M common stock |
| One Liberty Oil Company - | 100 | shares of $1 par value common stock |

FERRELLGAS, INC.
FERRELL COMPANIES, INC.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Consolidated Balance Sheet -
January 31, 1994, and July 31, 1993

Consolidated Statement of Earnings -
Three months ended January 31, 1994 and 1993

Consolidated Statement of Earnings -
Six months ended January 31, 1994 and 1993

Consolidated Statement of Cash Flows -
Six months ended January 31, 1994 and 1993

Notes to Consolidated Financial Statements

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

ITEM 2. CHANGES IN SECURITIES

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

ITEM 5. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

CONSOLIDATED BALANCE SHEET
(in thousands except for share data)

| ASSETS | 1/31/94 (unaudited) | 7/31/93 (audited) |
|---|---|---|
| <S> | <C> | <C> |
| Current Assets: | | |
| Cash and cash equivalents | $30,107 | $32,706 |
| Short-term investments | 27,532 | 25,040 |
| Accounts and notes receivable | 102,471 | 52,190 |
| Inventories | 40,627 | 23,652 |
| Prepaid expenses and other current assets | 2,835 | 1,898 |
| Receivable from parent and affiliate | - | 916 |
| Total Current Assets | 203,572 | 136,402 |
| Property, plant and equipment | 297,711 | 303,816 |
| Intangible assets | 67,816 | 72,537 |
| Investment in Class B redeemable common stock of parent | 36,031 | 36,031 |
| Other assets | 21,866 | 21,833 |
| Note receivable from parent | 4,000 | - |
| Deferred income taxes | - | 2,757 |
| Total Assets | $630,996 | $573,376 |
| LIABILITIES AND STOCKHOLDER'S EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | $69,571 | $32,946 |
| Payable to parent and affiliate | 967 | - |
| Current portion of long-term debt | 1,604 | 1,766 |
| Accrued interest expense | 10,397 | 10,374 |
| Other current liabilities | 18,015 | 16,908 |
| Total Current Liabilities | 100,554 | 61,994 |
| Long-term debt | 488,841 | 489,589 |
| Other liabilities | 10,154 | 10,434 |
| Deferred income taxes | 6,045 | - |
| Stockholder's Equity: | | |

| | | |
|---|---|---|
| Common stock, one dollar par value; 10,000 shares authorized; 990 shares issued and outstanding | 1 | 1 |
| Additional paid-in capital | 32,863 | 32,863 |
| Accumulated deficit | (7,462) | (21,505) |
| Total Stockholder's Equity | 25,402 | 11,359 |
| Total Liabilities and Stockholder's Equity | $630,996 | $573,376 |

<FN>
See notes to consolidated financial statements.
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</TABLE>

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

CONSOLIDATED STATEMENT OF EARNINGS
(in thousands)
(unaudited)

| | For the three months ended January 31, 1994 | January 31, 1993 (as restated) |
|---|---|---|
| <S> | <C> | <C> |
| Revenues: | | |
| Gas liquids and related product sales | $185,835 | $182,243 |
| Other | 8,087 | 9,256 |
| Total Revenues | 193,922 | 191,499 |
| Costs and expenses: | | |
| Cost of product sold | 95,464 | 102,868 |
| Operating | 40,649 | 38,143 |
| Depreciation and amortization | 7,255 | 7,771 |
| General and administrative | 3,555 | 2,313 |
| Vehicle leases | 1,039 | 1,218 |
| Total costs and expenses | 147,962 | 152,313 |
| Operating income | 45,960 | 39,186 |
| Loss on disposal of assets | (196) | (82) |
| Interest income | 934 | 685 |
| Interest expense | (14,917) | (15,068) |
| Earnings before income taxes | 31,781 | 24,721 |
| Income tax expense | 12,201 | 9,396 |
| Net earnings | $19,580 | $15,325 |

<FN>
See notes to consolidated financial statements.
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</TABLE>

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

CONSOLIDATED STATEMENT OF EARNINGS
(in thousands)
(unaudited)

| | For the six months ended January 31, 1994 | January 31, 1993 (as restated) |
|---|---|---|
| <S> | <C> | <C> |
| Revenues: | | |
| Gas liquids and related product sales | $289,795 | $292,172 |
| Other | 14,341 | 15,824 |
| Total Revenues | 304,136 | 307,996 |
| Costs and expenses: | | |
| Cost of product sold | 155,979 | 169,686 |
| Operating | 73,926 | 72,296 |

| | | |
|---|---|---|
| Depreciation and amortization | 14,778 | 15,637 |
| General and administrative | 5,872 | 4,957 |
| Vehicle leases | 2,144 | 2,411 |
| Total costs and expenses | 252,699 | 264,987 |
| Operating income | 51,437 | 43,009 |
| Loss on disposal of assets | (410) | (519) |
| Interest income | 1,693 | 1,408 |
| Interest expense | (29,824) | (30,089) |
| Earnings before income taxes | 22,896 | 13,809 |
| Income tax expense | 8,853 | 5,431 |
| Net earnings | $14,043 | $8,378 |

<FN>
See notes to consolidated financial statements.
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</TABLE>

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

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)
(unaudited)

| <S> | For the six months en January 31, 1994 <C> | January 31, 1993 (as restated) <C> |
|---|---|---|
| Cash Flows From Operating Activities: | | |
| Net earnings | $14,043 | $8,378 |
| Reconciliation of net earnings to net cash from operating activities: | | |
| Depreciation and amortization | 14,778 | 15,637 |
| Other | 2,604 | 3,010 |
| Increase in assets: | | |
| Accounts and notes receivable | (50,888) | (34,987) |
| Inventories | (16,975) | (9,522) |
| Prepaid expenses and other current assets | (937) | (685) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 36,625 | 10,288 |
| Accrued interest expense | 23 | (80) |
| Other current liabilities | 978 | 674 |
| Other liabilities | 119 | 334 |
| Deferred income taxes | 8,802 | 5,161 |
| Net cash provided (used) by operating activities | 9,172 | (1,792) |
| Cash Flows From Investing Activities: | | |
| Net short-term investment activity | (2,492) | 19,208 |
| Capital expenditures | (4,910) | (7,875) |
| Proceeds from asset sales | 425 | 1,526 |
| Additions to intangibles | (12) | - |
| Net additions to other assets | (10) | - |
| Net cash provided (used) by investing activities | (6,999) | 12,859 |
| Cash Flows From Financing Activities: | | |
| Reductions to long-term debt | (1,135) | (1,397) |
| Additions to financing costs | (53) | (7) |
| Reacquisition of Class B redeemable common stock | - | (1,351) |
| Net advances to related party | (1,467) | (42) |
| Net advances to parent and affiliates | (2,117) | (283) |
| Net cash used by financing activities | (4,772) | (3,080) |
| Increase (Decrease) in Cash & Cash Equivalents | (2,599) | 7,987 |
| Cash and cash equivalents - beginning of year | 32,706 | 27,959 |
| Cash and Cash Equivalents - End of Period | $30,107 | $35,946 |

<FN>
See notes to consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JANUARY 31, 1994 AND 1993

(unaudited)

A. Reference should be made to the Notes to Financial Statements for the fiscal years ending July 31, 1993, 1992 and 1991, included in the Company's annual financial statements in Form 10-K (Commission File No. 33-38482) filed with the SEC.

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

C. The propane industry is seasonal in nature with peak activity during the winter months. Therefore, the results of operations for the periods ended January 31, 1994 and 1993, are not necessarily indicative of the results to be expected for a full year.

D. The Internal Revenue Service (IRS) has examined the Company's consolidated income tax returns for the years ended July 31, 1987 and 1986, and has proposed certain adjustments which relate principally to the purchase price allocations for an acquisition made during 1987. The IRS has proposed to disallow $61 million of deductions taken or to be taken for depreciation of customer tanks for which the Company asserts the methods and principles used during the valuation of the customer tanks are defensible. Also, the IRS has proposed to disallow $90 million of deductions for amortization of customer relationships taken or to be taken on the Company's consolidated income tax returns. On April 20, 1993, the United States Supreme Court held in Newark Morning Ledger v. United States that a taxpayer may amortize customer based intangibles if that taxpayer can prove such intangibles are capable of being valued and the value diminishes over time. The Company contends it has met this burden of proof and feels this recent Supreme Court decision supports the positions taken during the Company's allocation of purchase price to customer relationships. The Company intends to vigorously defend against these proposed adjustments and is in the process of protesting these adjustments through the appeals process of the IRS. At this time, it is not possible to determine the ultimate resolution of this matter.

E. In its previously issued consolidated financial statements, the Company did not record the compensation expense related to the Ferrell Companies, Inc. Long-Term Incentive Plan (the "Plan"). Such charges (credits) and the resulting liability were previously recorded by Ferrell Companies, Inc. ("Ferrell"). The 1993 consolidated financial statements have been restated to reflect compensation charges (credits), net of income taxes, pursuant to the Plan and any corresponding capital transaction with Ferrell. The following is a summary of the principal effects of the restatement:

| | Three months ended January 31, 1993 | | Six months ended January 31, 1993 | |
|---|---|---|---|---|
| | As Previously Reported | As Restated | As Previously Reported | As Restated |
| Summary of operations: | | | | |
| Interest income | $ 741 | $ 685 | $ 1,518 | $ 1,408 |
| Earnings before income taxes | 24,777 | 24,721 | 13,919 | 13,809 |
| Income tax expense | 9,417 | 9,396 | 5,473 | 5,431 |
| Net earnings | 15,360 | 15,325 | 8,446 | 8,378 |

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</TABLE>
<TABLE>
<CAPTION>
FERRELL COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(in thousands except for share data)

| ASSETS | 1/31/94 (unaudited) | 7/31/93 (audited) |
|---|---|---|
| <S> | <C> | <C> |
| Current Assets: | | |
| Cash and cash equivalents | $32,586 | $32,914 |
| Short-term investments | 27,532 | 25,040 |
| Accounts and notes receivable | 103,026 | 52,864 |
| Inventories | 40,627 | 23,652 |
| Prepaid expenses and other current assets | 2,862 | 1,903 |
| Total Current Assets | 206,633 | 136,373 |
| Property, plant and equipment | 297,762 | 303,867 |
| Intangible assets | 67,816 | 72,537 |
| Other assets | 22,901 | 22,877 |
| Deferred income taxes | - | 2,421 |
| Total Assets | $595,112 | $538,075 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities: | | |
| Accounts payable | $69,571 | $32,946 |
| Current portion of long-term debt | 1,604 | 1,951 |
| Accrued interest expense | 10,397 | 10,374 |
| Other current liabilities | 18,015 | 17,533 |
| Total Current Liabilities | 99,587 | 62,804 |
| Long-term debt | 488,841 | 489,589 |
| Other liabilities | 12,915 | 12,180 |
| Deferred income taxes | 6,294 | - |
| Stockholders' Deficit: | | |
| Class A common stock, no par value; 3,550,000 shares authorized; 2,573,100 shares issued and outstanding | 211 | 211 |
| Class M common stock, $.01 par value; 30,000 shares authorized; 19,277 shares issued and outstanding | - | - |
| Additional paid-in capital | 899 | 826 |
| Accumulated deficit | (13,635) | (27,535) |
| Total Stockholders' Deficit | (12,525) | (26,498) |
| Total Liabilities and Stockholders' Deficit | $595,112 | $538,075 |

<FN>
See notes to consolidated financial statements.
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<TABLE>
<CAPTION>
FERRELL COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS
(in thousands except per share data)
(unaudited)

| | For the three months ended January 31, 1994 | January 31, 1993 (as restated) |
|---|---|---|
| <S> | <C> | <C> |
| Revenues: | | |
| Gas liquids and related product sales | $185,835 | $182,243 |
| Other | 8,087 | 9,260 |
| Total Revenues | 193,922 | 191,503 |
| Costs and expenses: | | |
| Cost of product sold | 95,464 | 102,868 |
| Operating | 40,649 | 38,143 |
| Depreciation and amortization | 7,255 | 7,771 |
| General and administrative | 3,667 | 2,388 |
| Vehicle leases | 1,039 | 1,218 |
| Total costs and expenses | 148,074 | 152,388 |
| Operating income: | 45,848 | 39,115 |
| Loss on disposal of assets | (196) | (82) |
| Interest income | 908 | 732 |
| Interest expense | (14,916) | (15,033) |
| Earnings before income taxes | 31,644 | 24,732 |

| | | |
|---|---|---|
| Income tax expense | 12,150 | 9,399 |
| Net earnings | $19,494 | $15,333 |
| | | |
| Net earnings per common share | $7.51 | $5.79 |

<F>
See notes to consolidated financial statements.
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</TABLE>

<TABLE>
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FERRELL COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS
(in thousands)
(unaudited)

| | For the six months ended January 31, 1994 | January 31, 1993 (as restated) |
|---|---|---|
| <S> | <C> | <C> |
| Revenues: | | |
| Gas liquids and related product sales | $289,795 | $292,172 |
| Other | 14,344 | 15,830 |
| Total Revenues | 304,139 | 308,002 |
| | | |
| Costs and expenses: | | |
| Cost of product sold | 155,979 | 169,686 |
| Operating | 73,926 | 72,296 |
| Depreciation and amortization | 14,778 | 15,637 |
| General and administrative | 6,088 | 5,139 |
| Vehicle leases | 2,144 | 2,411 |
| Total costs and expenses | 252,915 | 265,169 |
| | | |
| Operating income: | 51,224 | 42,833 |
| | | |
| Loss on disposal of assets | (410) | (519) |
| Interest income | 1,677 | 1,515 |
| Interest expense | (29,825) | (30,019) |
| | | |
| Earnings before income taxes | 22,666 | 13,810 |
| | | |
| Income tax expense | 8,766 | 5,431 |
| Net earnings | $13,900 | $8,379 |
| | | |
| Net earnings per common share | $5.35 | $3.17 |

<F>
See notes to consolidated financial statements.
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<TABLE>
<CAPTION>
FERRELL COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)
(unaudited)

| | For the six months ended January 31, 1994 | January 31, 1993 (as restated) |
|---|---|---|
| <S> | <C> | <C> |
| Cash Flows From Operating Activities: | | |
| Net earnings | $13,900 | $8,379 |
| Reconciliation of net earnings to net cash from operating activities: | | |
| Depreciation and amortization | 14,778 | 15,637 |
| Other | 2,604 | 3,010 |
| Decrease (increase) in assets: | | |
| Accounts and notes receivable | (50,769) | (34,983) |
| Inventories | (16,975) | (9,522) |
| Prepaid expenses and other current assets | (959) | 811 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 36,625 | 10,288 |
| Accrued interest expense | 23 | (157) |
| Other current liabilities | 353 | 674 |
| Other liabilities | 1,134 | (1,793) |
| Deferred income taxes | 8,715 | 5,160 |

| | | |
|---|---|---|
| Net cash provided (used) by operating activities | 9,429 | (2,496) |
| | | |
| Cash Flows From Investing Activities: | | |
| Net short-term investment activity | (2,492) | 19,208 |
| Capital expenditures | (4,910) | (7,875) |
| Proceeds from asset sales | 425 | 1,526 |
| Additions to intangibles | (12) | - |
| Net reductions (additions) to other assets | (1) | 28 |
| Net cash provided (used) by investing activities | (6,990) | 12,887 |
| | | |
| Cash Flows From Financing Activities: | | |
| Reductions to long-term debt | (1,320) | (1,412) |
| Additions to financing costs | (53) | (7) |
| Reacquisition of Class B redeemable common stock | - | (1,453) |
| Proceeds from issuance of Class M common stock | 76 | 454 |
| Reacquisition of Class M common stock | (3) | (29) |
| Net advances to related party | (1,467) | (42) |
| Net cash used by financing activities | (2,767) | (2,489) |
| | | |
| Increase (decrease) in Cash & Cash Equivalents | (328) | 7,902 |
| Cash and cash equivalents - beginning of year | 32,914 | 28,151 |
| Cash and Cash Equivalents - End of Period | $32,586 | $36,053 |

<FN>

See notes to consolidated financial statements.

FERRELL COMPANIES, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JANUARY 31, 1994 AND 1993
(unaudited)

A. Reference should be made to the Notes to Consolidated Financial Statements for the fiscal years ending July 31, 1993, 1992 and 1991, included in the Company's annual financial statements in Form 10-K (Commission File No. 33-38482) filed with the SEC.

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

C. The propane industry is seasonal in nature with peak activity during the winter months. Therefore, the results of operations for the periods ended January 31, 1994 and 1993, are not necessarily indicative of the results to be expected for a full year.

D. The Internal Revenue Service (IRS) has examined the Company's consolidated income tax returns for the years ended July 31, 1987 and 1986, and has proposed certain adjustments which relate principally to the purchase price allocations for an acquisition made during 1987. The IRS has proposed to disallow $61 million of deductions taken or to be taken for depreciation of customer tanks for which the Company asserts the methods and principles used during the valuation of the customer tanks are defensible. Also, the IRS has proposed to disallow $90 million of deductions for amortization of customer relationships taken or to be taken on the Company's consolidated income tax returns. On April 20, 1993, the United States Supreme Court held in Newark Morning Ledger v. United States that a taxpayer may amortize customer based intangibles if that taxpayer can prove such intangibles are capable of being valued and the value diminishes over time. The Company contends it has met this burden of proof and feels this recent Supreme Court decision supports the positions taken during the Company's allocation of purchase price to customer relationships. The Company intends to vigorously defend against these proposed adjustments and is in the process of protesting these adjustments through the appeals process of the IRS. At this time, it is not possible to determine the ultimate resolution of this matter.

E. Ferrell has determined that the estimated value of the Ferrell Companies, Inc. Long-Term Incentive Plan and the corresponding compensation expense recorded in its previously issued 1993 consolidated financial statements were understated. Accordingly, the consolidated financial statements for 1993 have been restated. The following is a summary of the principal effects of the restatement:

| | Three months ended January 31, 1993 | | Six months ended January 31, 1993 | |
|---|---|---|---|---|
| | As Previously Reported | As Restated | As Previously Reported | As Restated |
| Summary of operations: | | | | |
| Costs and expenses | $151,464 | $152,388 | $264,245 | $265,169 |
| Operating income | 40,039 | 39,115 | 43,757 | 42,833 |
| Income tax expense | 9,750 | 9,399 | 5,782 | 5,431 |
| Net earnings | 15,906 | 15,333 | 8,952 | 8,371 |
| Net earnings per share | $6.00 | $5.79 | $3.38 | $3.17 |

</FN>

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

The following is a discussion of the historical financial condition and results of operations of Ferrellgas, Inc. and its subsidiaries (the "Company") and Ferrell Companies, Inc. and its subsidiaries ("Ferrell"). The discussion should be read in conjunction with the financial statements and the notes thereto included elsewhere in this Form 10-Q.

In its previously issued consolidated financial statements, the Company did not record the compensation expense related to the Ferrell Companies, Inc. Long-Term Incentive Plan (the "Plan"). Such charges (credits) and the resulting liabilities were previously recorded by Ferrell. The accompanying consolidated financial statements are restated to reflect compensation charges (credits), net of income taxes, pursuant to the Plan and any corresponding capital transaction with Ferrell. The effects of recording the adjustments by Ferrellgas are reflected in the following discussions of the Company's historical financial condition and results of operations.

Results of Operations - the Company

The propane industry is seasonal in nature with peak activity during the winter months. Due to the seasonality of the business, results of operations for the three and six months ended January 31, 1994, are not necessarily indicative of the results to be expected for a full year. Other factors affecting the results of operations include competitive conditions, demand for product, variations in weather and fluctuations in propane prices.

Three Months Ended January 31, 1994 vs. January 31, 1993

Total Revenues. Total revenues increased 1.3% to $193,922,000 as compared with $191,499,000 for the prior period. The increase is attributable to revenues from retail operations increasing 4.3% to $172,175,000, offset by other operations (net trading operations, wholesale propane marketing and chemical feedstocks marketing) decreasing 17.5% to $21,747,000.

The increase in revenues from retail operations resulted primarily from an increase in sales volume due to cooler temperatures in the primary heating months than that which existed in the prior period. The volume of gallons sold, excluding acquisitions, increased revenues by $7,874,000. Fiscal year 1994 and 1993 acquisitions increased revenues by $1,009,000. These increases are offset by a $2,046,000 decrease in sales price due to lower product costs.

The decrease in other operations revenue is attributable to i) wholesale propane marketing's reduced grain drying volumes and decreased product costs and ii) decreased net trading results due to reduced market volatility relative to the prior period.

Gross Profit. Gross profit increased 11.1% to $98,458,000 as compared with $88,631,000, for the prior period, primarily due to an increase in retail operations. Retail operations gross profit improved due to increased sales volume as discussed previously and to margin increases as a result of favorable changes in the competitive pressures of the industry and normal fluctuations in the Company's product mix. These increases were offset by a decrease in net trading results due to reduced market volatility relative to the prior period.

Operating Expense. Operating expenses increased 6.6% to $40,649,000 as compared with $38,143,000, for the prior period, primarily due to i) increased accrued incentive compensation expense, ii) increased vehicle expenses due to the increased sales volume and iii) general increases in the cost of doing business. These increases are primarily offset by a decrease in general liability expense and a decrease in bad debt expense.

General and Administrative Expenses. General and administrative expenses increased 53.7% to $3,555,000 as compared with $2,313,000 for the prior period due to increased accrued incentive compensation expense. This increase was primarily offset by a reduction in facilities rent due to the purchase of the Liberty, Missouri, corporate offices in the second and third quarters of fiscal year 1993.

Depreciation and Amortization. Depreciation expense decreased 6.6% to $7,255,000 as compared with $7,771,000 for the prior period due primarily to extending the useful life of the Company's vehicles beyond the depreciable life and to the reduction in the number of Company owned vehicles.

Net Interest Expense. Net interest expense decreased 2.8% to $13,983,000 as compared with $14,383,000 for the prior period due to the repurchase of $10,500,000 of senior notes in the fourth quarter of fiscal year 1993 offset by increased non-cash amortization of financing costs.

Net Earnings. Net earnings increased 27.8% to $19,580,000 as compared with $15,325,000 for the prior period primarily due to the increase in retail operations sales volume and margins offset by increased operating and general and administrative expenses.

Six Months Ended January 31, 1994 vs. January 31, 1993

Total Revenues. Total revenues decreased 1.3% to $304,136,000 as compared with $307,996,000 for the prior period. The overall decrease is attributable to revenues from other operations (net trading operations, wholesale propane marketing and chemical feedstocks marketing) decreasing 22.6% to $38,612,000 offset by revenues from retail operations increasing 2.9% to $265,524,000.

The decrease in other operations revenue is primarily due to increased sales of chemical feedstocks in the prior period. Due to prior period storage limitations chemical feedstocks marketing sold product that was designated for storage. Additional decreases are the result of lower product costs for chemical feedstocks and wholesale propane marketing and decreased net trading results due to reduced market volatility relative to the prior period.

The increase in revenues from retail operations is primarily due to an increase in sales volume due to cooler temperatures in the primary heating months than that which existed in the prior period. The volume of gallons sold, excluding acquisitions, increased revenues by $5,995,000. Fiscal year 1994 and 1993 acquisitions increased revenues by $1,153,000. These increases are offset by a $241,000 decrease in sales price due to lower product costs.

Gross Profit. Gross profit increased 7.1% to $148,157,000 as compared with $138,310,000 for the prior period, primarily due to an increase in retail operations. Retail operations results improved due to increased sales volume as discussed previously and to margin increases as a result of favorable changes in the competitive pressures of the industry and to normal fluctuations in the Company's product mix. These increases are offset by a decrease in net trading results due to reduced market volatility relative to the prior period.

Operating Expense. Operating expenses increased 2.3% to $73,926,000 as compared with $72,296,000, for the prior period, primarily due to i) increased accrued incentive compensation expense, ii) increased vehicle expenses due to the increased sales volume and iii) general increases in the cost of doing business. These increases are primarily offset by a decrease in general liability expense and a decrease in bad debt expense.

General and Administrative Expenses. General and administrative expenses increased 18.5% to $5,872,000 as compared with $4,957,000 for the prior period due to increased accrued incentive compensation expense. This increase was primarily offset by a reduction in facilities rent due to the purchase of the Liberty, Missouri, corporate offices in the second and third quarters of fiscal year 1993.

Depreciation and Amortization. Depreciation expense decreased 5.5% to $14,778,000 as compared with $15,637,000 for the prior period due primarily to extending the life of the Company's vehicles beyond the depreciable life and to the reduction in the number of Company owned vehicles.

Net Interest Expense. Net interest expense decreased 1.9% to $28,131,000 as compared with $28,681,000 for the prior period due to the repurchase of $10,500,000 of senior notes in the fourth quarter of fiscal year 1993 offset by increased non-cash amortization of financing costs.

Net Earnings. Net earnings increased 67.6% to $14,043,000 as compared with $8,378,000 for the prior period primarily due to the increase in retail operations sales volume and margins offset by increased operating and general and administrative expenses.

Liquidity and Capital Resources - the Company

The ability of the Company to satisfy its obligations will be dependent upon future performance, which will be subject to prevailing economic conditions and too financial, business, weather conditions and other factors, many of which are beyond its control.

For the six months ended January 31, 1994, the Company's cash flow provided by operations (as measured by operating income before depreciation and amortization) was $66,215,000, which was sufficient to (i) make interest payments and required reductions to existing debt and (ii) make purchases of property, plant and equipment. Over the next twelve months the Company expects to generate sufficient cash from operations to meet its obligations.

Cash Flows From Operating Activities. Cash provided by operating activities increased to $9,172,000 for the six months ended January 31, 1994, as compared with ($1,792,000) for the prior period. This increase is primarily attributable to an increase in net earnings and accounts payable offset by an increase in accounts and notes receivable and inventory.

Cash Flows From Investing Activities. During the six months ended January 31, 1994, the Company made property, plant and equipment and intangible aggregate expenditures of $4,992,000. Total capital expenditures are essentially governed by the cash interest coverage ratio covenants contained in the various debt agreements. These covenants limit capital expenditures depending upon the amount of cash flow and cash interest expense of the Company. The Company believes that such limitations will not adversely impact the Company if normal operating results are achieved.

The Company maintains its vehicle and transportation equipment fleet by leasing light and medium duty trucks and tractors. The Company believes vehicle leasing is a cost effective method for financing transportation equipment. Capital requirements for repair and maintenance of property, plant and equipment are relatively low since technological change is limited and the useful lives of propane tanks and cylinders, the Company's principal physical assets, are generally long.

The Company invests in United States Treasury Bills and corporate commercial paper. The maturities as of January 31, 1994 range from one to nine months. These investments are presented as short-term investments in the Company's consolidated financial statements. The Company will maintain this investment strategy in the future by continuing to invest idle cash in investment grade short-term investments with maturities of less than one year.

Cash Flows From Financing Activities. Cash provided by operating activities is expected to continue to provide all of the funding necessary for the Company's capital expenditures.

The Company has a $50,000,000 bank credit facility that provides for a working capital facility and a letter of credit facility. The facilities terminate July 31, 1995. At January 31, 1994, there were no borrowings outstanding under the working capital facility and letters of credit outstanding under the letter of credit facility, which are primarily used to secure obligations under certain insurance and leasing arrangements, totaled $44,009,000, resulting in an available bank credit facility of $5,991,000.

The Company does not have any significant commitments for fixed asset acquisitions, unusual working capital commitments or contingent liabilities that might materially affect short-term or long-term liquidity. Future short-term capital needs of the Company are expected to be provided by future operations and existing cash balances.

The Company is required to make significant debt principal reductions when the senior notes mature August 1, 1996. The Company believes that it will be able to refinance or extend the terms of the senior notes, if necessary.

Results of Operations, Liquidity and Capital Resources - Ferrell

Virtually all of Ferrell's operating activities occur through its subsidiaries. Ferrell's principal assets consist almost entirely of its ownership of the stock of its subsidiaries. The results of Ferrell's operations are, therefore, largely determined by the results of operations of its principal operating subsidiary, the Company . See MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS as it relates to the Company.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
None.

ITEM 2. CHANGES IN SECURITIES.
None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.
None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.
None.

ITEM 5. OTHER INFORMATION
None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The exhibits listed on the accompanying Exhibit Index are filed as part of this report. Exhibits required by Item 601 of Regulation S-K which are not listed are not applicable.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the six months ended January 31, 1994.

SIGNATURES

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

Ferrellgas, Inc.
Ferrell Companies, Inc.
One Liberty Oil Company
(Registrants)

Date: March 17, 1994 By Danley K. Sheldon
Chief Financial Officer
and Assistant Secretary
(Principal Financial and
Accounting Officer)

EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
| * 4.1 | Purchase Agreement, dated as of July 1, 1990, among the Company, Ferrell, Liberty Oil and the purchasers of the Senior Notes, and a list of the Exhibits thereto. |
| * 4.2 | Indenture, dated as of July 1, 1990, among the Company, Ferrell, Liberty Oil and State Street Bank and Trust Company of Connecticut, N.A., as Trustee (which includes the form of Note as Exhibit A). |
| * 4.3 | First Supplemental Indenture, dated as of December 20, 1990, among the Company, Ferrell, Liberty Oil and State Street Bank and Trust Company of Connecticut, N.A., as Trustee. |
| * 4.4 | Second Supplemental Indenture, dated as of February 28, 1991, among the Company, Ferrell, Liberty Oil and State Street Bank and Trust Company of Connecticut, N.A., as Trustee. |
| * 4.5 | Third Supplemental Indenture, dated as of March 20, 1991, among the Company, Ferrell, Liberty Oil and State Street Bank and Trust Company of Connecticut, N.A., as Trustee. |
| *** 4.6 | Fourth Supplemental Indenture, dated as of December 12, 1991, among the Company, Ferrell, Liberty Oil and State Street Bank and Trust Company of Connecticut, N.A., as Trustee. |
| *** 4.7 | Form of $250,000,000 11 5/8% Senior Subordinated Debenture Indenture due 2003, dated as of December 1, 1991, between the Company and Norwest Bank Minnesota, National Association, as Trustee. |
| ** 4.8 | Fifth Supplemental Indenture, dated as of March 8, 1993, among the Company, Ferrell, Liberty Oil and State Street Bank and Trust Copany of Connecticut, N.A., as Trustee. (Series A Floating, Series B Fixed.) |
| ** 4.9 | Sixth Supplemental Indenture, dated as of October 19, 1993, among the Company, Ferrell, Liberty Oil and State Street Bank and Trust Company of Connecticut, N.A., as Trustee. (Series A Floating, Series B Fixed.) |
| 11 | Statement regarding computation of per share earnings. |
| ** 24.1 | Consent of Smith, Gill, Fisher & Butts, a Professional Corporation. |
| ** 24.2 | Consent of Deloitte & Touche. |
| * 24.3 | Consent of Kevin K. Nunnick & |

Associates, Inc.

* Previously filed as an exhibit to the Company's and the Guarantors' Registration Statement on Form S-1 (Commission File No. 33-38482) and incorporated herein by reference.

** Previously filed as an Exhibit to the Company's and the Guarantors' Registration Statement on Form S-1 (Commission File No. 33-39932) and incorporated herein by reference.

*** Previously filed as an Exhibit to the Company's Registration Statement on Form S-1 (Commission File No. 33-43727) and incorporated herein by reference.

</TABLE>
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FERRELL COMPANIES, INC. AND SUBSIDIARIES EXHIBIT 11

STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 1994 AND 1993
(in thousands except per share data)
(unaudited)

| | January 31, 1994 | | January 31, 1993 (as restated) | |
|---|---|---|---|---|
| | Three Months Ended | Six Months Ended | Three Months Ended | Six Months Ended |
| <S> | <C> | <C> | <C> | <C> |
| Net Earnings Per Common Share | | | | |
| Net earnings | $19,494 | $13,900 | $15,333 | $8,379 |
| Weighted average common stock equivalent | 2,596 | 2,596 | 2,647 | 2,647 |
| Net earnings per common share | $7.51 | $5.35 | $5.79 | $3.17 |
| Common Stock Equivalents | | | | |
| Class A Common Stock | 2,573 | 2,573 | 2,573 | 2,573 |
| Class B Common Stock | - A) | - A) | 55 | 59 |
| Class M Common Stock | 19 | 19 | 19 | 15 |
| Unexercised Class M Options | 4 | 4 | - B) | - B) |
| Weighted Average Common Stock Equivalents | 2,596 | 2,596 | 2,647 | 2,647 |

<FN>
A) The final outstanding Class B redeemable common stock shares were purchased by Ferrellgas in the third quarter of fiscal year 1993.

B) Inclusion of Class M options would be antidilutive.

</FN>
</TABLE>