



FERRELLGAS ANTITRUST LAW COMPLIANCE HANDBOOK

To: All Ferrellgas Employees

Our Company is committed to full compliance with the letter and spirit of all laws that apply to our business. We take particular care to ensure our compliance with the antitrust laws of the US, which prohibit collusion among competitors and market practices that impair the ability of others to compete. The consequences of an antitrust violation can be severe, including:

- Large fines.
- Possible imprisonment.
- Substantial awards of damages from civil lawsuits.
- Legal proceedings that can impose massive expenses and disrupt our business.

The goal of the antitrust laws is a competitive marketplace, in which efficient and innovative firms thrive. We believe that our Company will prosper in a marketplace free of collusion and anticompetitive practices, and we express our unqualified support for the enforcement of antitrust laws in all of the markets in which we compete.

This Compliance Handbook is designed to assist you in complying with the antitrust laws. It will help you to recognize:

- Conduct that you must avoid.
- Activities with potential antitrust risks that you must discuss with our Legal Department.

Please study this manual and consult it regularly during the course of your work. Should you have any questions about the application of the antitrust laws, please contact the Legal Department as described in the handbook.

We expect all of our employees to report (through the proper channels) any instance of non-compliance with the law and to inquire about any activity that might not comply with the law. The Company monitors the implementation and effectiveness of our compliance program and conducts regular audits to ensure that all employees are following it.

ANTITRUST COMPLIANCE HANDBOOK

1. WHAT ARE THE ANTITRUST LAWS?

The antitrust laws prohibit business practices that limit competition improperly. Broadly stated, the following practices are banned under the antitrust laws:

- **Cartels.** These are agreements among competitors to fix prices, restrict output, allocate markets, rig bids and so on. All cartels are illegal, whether the agreement is written or oral, expressly made or implied. Cartels are the most serious form of antitrust violation. Participation in a cartel can lead to severe penalties, including imprisonment of the employees involved.
- **Anticompetitive agreements with competitors.** Other than cartels, collaboration among competitors violates the antitrust laws when it has a harmful effect on competition. All of our dealings with competitors must be reviewed with the Legal Department to ensure compliance. These dealings include:
 - agreements;
 - meetings;
 - communications; and
 - memberships in industry associations.
- **Anticompetitive dealings with customers or suppliers.** Restrictions on the resale of a company's products, such as resale price agreements, exclusive territories and customer restrictions, can be illegal if they impair competition. Antitrust risks can also arise in other aspects of a company's relationships with customers and suppliers, including:
 - sales that require the customer to purchase two or more separate products;
 - discrimination in the prices charged to different customers or in merchandising support;
 - cooperative purchasing arrangements; and
 - fictitious brokerage (that is, paying a commission to a buyer or its agent in lieu of offering a discount).

All these arrangements must be reviewed with the Legal Department.

- **Monopolization.** If a company has a high market share, or if it has a reasonable prospect of obtaining a high market share, it can violate the antitrust laws by conduct that limits the ability of other companies to compete. A company does not violate the antitrust laws, even if it has a very high market share, if its conduct consists only of competition on the basis of lower prices, better products or better service.
- **Anticompetitive corporate transactions.** Some corporate transactions may violate the antitrust laws if they impair competition. These transactions include:
 - a merger;

- an acquisition of the voting shares or the assets of other companies; and
- the formation of a joint venture.

Certain of these transactions must be reported to antitrust authorities before they are completed.

These antitrust laws apply throughout the US. However, employees must not relax their commitment to compliance when traveling outside the country. The US antitrust laws have significant application overseas, and most other countries where the Company does business have enacted similar laws.

2. **STEERING CLEAR OF CARTELS**

A cartel violation has serious consequences. It is a criminal offense, exposing the Company to very large fines and the individual employees participating in the cartel to both fines and imprisonment. Prison sentences usually run in the range of one to two years, but can be higher. In addition, the Company can face class actions for damages of enormous amounts. Even if the Company and its employees were to succeed in defending against cartel charges, they would incur considerable legal costs and would suffer a serious disruption of business.

Therefore, all employees of the Company must take care to avoid any conduct that might be characterized as cartel behavior.

Forbidden Agreements

Never agree with any competitor on the following subjects:

- Prices that either company will announce or charge their customers.
- The timing or method of price increases (including fill weights).
- Terms of sale or delivery that either company will offer customers.
- Markets in which either company will sell.
- Categories of customers.
- Bids to any customers.
- Production or sales volumes.

Remember that a cartel violation does not require a formal or written agreement. An informal conversation or implied understanding violates the antitrust laws if the effect is an agreement on an illegal subject.

Meetings and Discussions with Competitors

Any meeting or discussion with a competitor carries the risk that it will be construed later as evidence of an illegal cartel agreement. Therefore, employees must avoid all meetings and discussions with employees or representatives of a competitor unless a legitimate business purpose, unrelated to

competition between the companies, is involved. In the event of any uncertainty over whether a legitimate business purpose is involved, the Legal Department should be consulted.

For any meeting or discussion with a competitor that does proceed, the following steps must be taken:

- Document in advance that both sides understand the business purpose of the discussion. For example, agree on an agenda or exchange emails identifying the topic of discussion.
- Restrict the discussion to the identified purpose.
- Make a record of the meeting or discussion, noting the following:
 - date;
 - time;
 - place;
 - duration;
 - the persons participating;
 - all matters discussed; and
 - all agreed follow-up actions.

Never discuss any of the following subjects with any competitor:

- Prices.
- Timing of price changes.
- Magnitude of price changes.
- Costs.
- Profit margins.
- Sales forecasts.
- Sales plans.
- Sales territories.
- Distribution practices.
- Terms offered to particular customers.
- Capacity utilization.
- Competitive bidding plans or strategy.

- Pricing and marketing strategies.
- Market shares.

Sources of Competitive Information

To compete effectively, we must gather information about our competitors' pricing and their actions in the marketplace. We may not obtain this information directly from competitors, because the exchange of sensitive information can imply an agreement. Rather, we may gather competitive information only from legitimate sources, such as:

- The business press.
- The internet.
- Customers.
- Consultants.

When customers or consultants are the source of competitive information, avoid circumstances that could suggest the use of an intermediary to communicate with competitors. In particular, do not consent to any customer or consultant sharing the Company's sensitive information with any competitor.

Employees must avoid using competitive information received from an unknown source. This includes documents that arrive in unmarked envelopes and information conveyed by intermediaries who do not disclose their sources.

Loose Language

If the Company becomes involved in an investigation or litigation over cartel issues, our internal documents will be examined carefully for evidence of an illegal agreement. Therefore, we must avoid using careless language in e-mails, memoranda, notes and public statements that might suggest an illegal agreement to a suspicious lawyer or investigator. The following are some examples of careless word choices that should be avoided:

- "The industry is implementing a price increase." This suggests that firms are acting collectively.
- "The industry lacks discipline." When said to, or in the presence of, a competitor, this suggests an invitation to raise prices or avoid discounting.

Reports

Any employee who observes or hears of anyone acting in a manner inconsistent with these instructions, or who has any reason to suspect that someone acting on behalf of the Company is engaged in cartel behavior, must report the conduct through the reporting channels described at the end of this manual.

In addition, employees must report any conduct by representatives of competitors which suggests pricing coordination or other cartel behavior. This conduct includes a competitor's employee:

- Trying to discuss forbidden subjects.
- Requesting that the Company refrain from competing for particular customers.

Any employee reporting suspicious conduct through the reporting channels will be protected from all forms of retaliation.

Amnesty for the First Company to Report a Cartel

Employees should be aware that the US Department of Justice has established a Corporate Leniency Program, which gives amnesty to the first company that reports a cartel and that meets certain requirements. This amnesty provides complete immunity from fines to the company, and complete immunity from fines and imprisonment for employees who cooperate with the government's investigation.

To have an opportunity for these benefits, the Legal Department must have notice of any cartel behavior as soon as possible, because amnesty is given only to the first company to report the cartel. Our competitors have the same opportunity for amnesty, if they are the first to report. No employee should rely on other members of a cartel to keep the illegal agreement secret.

3. RELATIONSHIPS WITH COMPETITORS

In addition to avoiding cartels, we must ensure that our business dealings with any competitor comply with the antitrust laws.

Joint Ventures and Collaboration Among Competitors

On occasion, the Company may wish to explore collaborating with one or more competitors to share certain functions, such as production, distribution or co-packing. The collaboration may take the form of a joint venture, or it may proceed on an informal basis.

If these collaborations are designed and managed carefully, they will not violate the antitrust laws, even if they involve some restrictions on competition between the joint venture parties. However, the task of conforming these joint ventures to the antitrust laws is very complex. If it is not done correctly, the Company is exposed to serious and unnecessary antitrust risks, including potential liability for a cartel agreement. Therefore, the following rules apply to any form of collaboration with an actual or potential competitor:

- Before beginning any discussion with a competitor concerning a potential collaboration, consult with the Legal Department.
- The Legal Department monitors all communications with competitors during the formation of a joint venture or collaborative agreement. Any restriction on communications imposed by the Legal Department must be followed.

- Before any joint venture or collaborative agreement with a competitor is finalized and implemented, the Legal Department issues rules for the Company's participation. Those rules must be followed.

Boycotts

Although the Company is free in general to decide not to do business with a supplier, customer or competitor, these decisions carry antitrust risks when they are made jointly by two or more companies. Employees should avoid the following types of agreements, which may be viewed as illegal boycotts:

- An agreement among competitors not to do business with particular suppliers or customers.
- An agreement among certain competitors not to collaborate or do business with other competitors.
- An agreement to the request of two or more customers, or two or more suppliers, not to do business with competitors of the companies making the request.

A boycott can be based on an absolute refusal to do business with the targeted companies, or on a willingness to do business with them only on certain conditions. Some agreements of this type can be legal, but employees should not enter or discuss any of these agreements without first consulting the Legal Department.

Trade Associations

The Company participates in various trade associations in which our competitors also participate. These trade associations serve a variety of important objectives, including:

- Coordinating efforts among the members on lobbying governmental agencies.
- Protecting the health and safety of our customers and employees.
- Protecting customers from fraudulent and deceptive practices.
- Setting product standards that facilitate competition.

The antitrust laws permit competitors to meet and discuss these topics under the sponsorship of trade associations, provided that the discussions do not result in agreements that impair competition. Trade association meetings must not be used or perceived as an opportunity to form or maintain a cartel.

To avoid unnecessary antitrust risks, all employees planning to attend trade association meetings where representatives of competitors will be present must follow the following rules:

- Review the agenda in advance. Confirm that the discussion will be related to the legitimate missions of the association and will not include discussion of any topic that you should not discuss in the presence of competitors. If these points cannot be confirmed, do not attend the meeting.

- If feasible, Counsel, retained by the association for antitrust compliance, must be present at all meetings.
- At the meeting, insist that the discussion strictly conform to the agenda.
- In the event that discussion arises over any sensitive topic, insist that it end immediately. If the discussion continues, leave the meeting and ask that the minutes reflect your departure.
- Review the minutes of the meeting for accuracy and completeness.
- If the association proposes any course of action that involves collaboration among competitors, review the proposed action with the Legal Department before participating or expressing approval.

Industry Surveys

The Company may be asked to participate in a survey that collects and publishes information about pricing, sales volumes and other sensitive information. If these surveys are undertaken without following certain precautions, they can result in antitrust liability for the participating companies. Therefore, no employee should contribute or subscribe to an industry survey without first discussing the survey with the Legal Department.

4. RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

We must deal with customers and suppliers fairly and in a manner that best advances the competitiveness of the Company's products and services. The legality of any particular policy or practice relating to our customers or suppliers will depend on the facts and circumstances of the particular case.

Resale Price Agreements

The Company may wish that wholesalers or retailers resell the Company's products only at a specified price or above a minimum price. The antitrust laws applicable to price restrictions on customers are in the process of changing. Until these laws are settled and clarified, we must avoid practices that can lead to expensive litigation and unnecessary disputes with customers and that could ultimately be found illegal. Therefore, no employee should ever reach agreement with a wholesaler or retailer concerning the resale prices of the Company's product, either in writing or orally, unless the Legal Department has reviewed and approved of the arrangement.

The antitrust laws permit the Company to issue suggested resale prices, so long as the prices are not the subject of an agreement with any dealer. Consequently, when issuing suggested resale prices, employees must never seek or accept a commitment from any dealer to follow the suggested prices. Rather, dealers should be told that they are free to decide on their own resale prices.

The antitrust laws also allow the Company to decide whether or not to continue to do business with a particular dealer based on that dealer's adherence to the suggested resale prices. However, any decision to terminate a dealer must be made unilaterally by the Company and not under an agreement

with that dealer or any other dealer. Employees should never discuss with any dealer whether the Company has or will terminate another dealer for failure to follow suggested resale prices.

Exclusive Territories and Customers

An agreement that gives a dealer exclusive rights to a particular territory or category of customers, and restricts other dealers from infringing those exclusive rights, can be illegal in some circumstances. No dealer should be granted exclusive rights without the prior review and approval of the Legal Department.

Tying and Reciprocal Buying

A tying arrangement occurs when a seller agrees to sell one product only on the condition that the customer purchases a second product. Tying arrangements can constitute antitrust violations in certain circumstances. These circumstances include:

- **Two products.** Tying is only illegal when it involves two separate products. Tying separate components of a single product, such as tires on an automobile or laces on shoes, is legal.
- **Conditional sale.** For a tying arrangement to be illegal, the buyer must be forced to purchase the second product. No tying will be found if the buyer has the practical ability to purchase the desired product alone, even if a higher price is charged, or if the buyer prefers to purchase a package of two or more products.

A related type of transaction is reciprocal buying, which occurs when a seller agrees to sell one product to the buyer on the condition that the buyer sell it a different product. Reciprocal buying can be illegal if coercion is used.

The Legal Department must be consulted about any tying or reciprocal buying transaction where these circumstances are present, or where a customer might argue that they are present. The transaction might still be legal, depending on other circumstances, but the antitrust risk is significant. A review for antitrust compliance is essential.

Meetings with Resellers

Remember that many of the Company's resellers are competitors of one another. The Company may face antitrust liability if it is found to have helped a cartel or anticompetitive agreement among the resellers. To avoid this risk, employees must avoid participating in any meeting or discussion among two or more resellers that involves any of the following topics:

- The prices or pricing practices of any reseller.
- The territory or location of any reseller.
- The termination of any reseller.
- The identity or number of newly appointed reseller.

These topics should be discussed only in individual meetings, and the conversation should be limited to matters relating to the particular reseller.

Any employee who has reason to believe that resellers have communicated with one another about prices, territories or other aspects of competition should report the matter through the reporting channels (see *below, Reporting Channels*). A failure to report the conduct could expose the Company to the charge that it assisted and protected the resellers in their potentially illegal conduct.

Cooperative Purchasing

The participation of competitors in a cooperative buying arrangement can be legal, particularly when it achieves efficiencies. However, these arrangements can carry significant risks of antitrust liability, particularly if a court determines that the arrangement serves to facilitate a cartel among the participants. All cooperative buying arrangements must be reviewed with the Legal Department.

5. PRICE DISCRIMINATION

A provision of the antitrust laws prohibits companies from charging different prices to different customers in certain circumstances. To violate this law, several factors must be present, including the following:

- **Goods.** The price discrimination law applies only to sales of goods, not services.
- **Sales.** Only completed sales can lead to illegal discrimination. Offers to sell at lower prices, or refusals to sell at a low price, do not qualify.
- **Two purchasers.** The goods must be sold to two or more different purchasers. A subsidiary or affiliate of the seller is not a purchaser, and its receipt of favorable pricing is not illegal.
- **Different prices.** Discrimination exists only when the two purchasers pay different prices, after taking into account all applicable discounts and rebates.
- **Contemporaneous.** The sales must be made at about the same time. Price changes made from time-to-time and seasonal discounts will not support a finding of price discrimination.
- **Like grade and quality.** The two sales must involve products of like grade and quality. Charging a higher price for a premium grade is not illegal.
- **Competitive injury.** Price discrimination is illegal only if it leads to a competitive injury (a negative impact on competition). There can be injury if the customer paying the lower price takes business away from the customer paying the higher price. The injury can be further down the chain of distribution. For example, a favored wholesaler may pass its lower price on to retailers who take business away from other retailers who are supplied by the disfavored wholesaler. No injury is likely to be found if:
 - the discrimination occurs between end users;
 - the discrimination occurs between customers who do not compete, directly or indirectly;
or

- the price difference is too small or too short in duration to have an impact on competition between purchasers.

A meeting competition defense to price discrimination is available when a company gives a lower price in response to a competitor's offer of a lower price. If the seller acts in good faith (meaning that it reasonably and sincerely believes that the customer has received a lower price offer from a competitor), it can reduce its own price as low as the competitor's price, but not below.

Discrimination in Merchandising Support

If a seller supports its customers in advertising, promoting or reselling its products (for example, by granting allowances or performing or subsidizing services), it must offer that support to all competing customers on proportionally equal terms. Discrimination in merchandising support is a violation of the antitrust laws and can expose the Company to liability for damages to disfavored customers.

Buyer Liability

When a seller violates the antitrust laws by discriminating in price or merchandising support, the buyer can also be liable if it knowingly receives the benefit of the discrimination. Any employee who suspects that one of the Company's suppliers has discriminated on price or merchandising support must report the incident immediately to the Legal Department.

Fictitious Brokerage

The antitrust laws prohibit sales in which one party pays a commission or brokerage to the other, or to an agent of the other, except for services rendered. The laws also prohibit the seller from giving a discount in lieu of such commission or brokerage. The purpose of these provisions is to prevent the use of fictitious brokerage to conceal discriminatory pricing.

To violate the laws against fictitious brokerage, the payment or discount must be made between the buyer and the seller. Paying a commission to the Company's own agents, or a brokerage to a true intermediary, is not a violation. Employees should consult the Legal Department about sales transactions that present any of the following situations:

- The seller makes a payment to the buyer or to an agent of the buyer.
- The buyer makes a payment to an employee or agent of the seller, rather than directly to the seller.
- The seller gives a discount purportedly to reflect a savings of commission or brokerage.
- A seller grants a discount only on condition that a broker or sales agent agrees to reduce its normal charges.

6. MONOPOLIZATION

In any line of business where the Company has a high market share, we must ensure that we comply with the provisions of the antitrust laws that prohibit monopolization and attempted monopolization.

Monopoly Power

Monopolization laws apply when a company possesses monopoly power or holds such a strong position in a market that its conduct presents a dangerous probability of success in achieving monopoly power. The presence of monopoly power is a complex issue. For the purpose of compliance, employees should consult with the Legal Department when monopolization issues arise in markets where the Company might be found to hold a market share of at least 50%.

Unlawful Acquisition or Maintenance of Monopoly Power

The antitrust laws do not prohibit the mere possession of monopoly power. A violation occurs when the Company acts to obtain, preserve or enhance its monopoly power by some method other than legitimate competition. Legitimate competition includes selling better products, charging lower prices or delivering better service. Practices that can be found illegal include the following:

- Selling products below the cost of production (known as predatory pricing)
- Offering a bundled discount on a package of two or more products, where the seller has a monopoly position on one of the products and a competitor on the non-monopoly product cannot match the bundled price.
- Refusing to deal with a competitor, or with a customer or supplier of a competitor, where the deal would be profitable and no reason exists for the refusal other than to exclude competition.
- Demanding exclusivity from suppliers or customers so that competitors are blocked from essential inputs or channels of distribution.

None of these practices are illegal in all circumstances. However, all of them carry antitrust risks. Employees must consult the Legal Department before undertaking any activity that might be characterized as one of these practices.

7. PATENTS

Merely exercising the rights conferred by a patent does not violate the antitrust laws. The antitrust laws do not prohibit a patent holder from charging a high price for a patented product, nor from refusing to license the patent to others. However, several practices involving patents can lead to antitrust violations, including the following:

- **Fraud on the patent office.** If a patent is obtained by misrepresenting or concealing information in the application to the Patent and Trademark Office, such as relevant prior art (public information that may be relevant to a patent's claim of originality), the result might be invalidation of the patent and antitrust liability .

- **Bad faith enforcement.** If a patent holder brings or threatens an infringement action without a reasonable and good faith belief that the patent is valid and that it has been infringed, the conduct could be found to be illegal monopolization.
- **Restrictive licensing practices.** Licenses can impose restrictions on the activities of licensees in limited circumstances, but some restrictions carry antitrust risks. Employees must consult the Legal Department before entering any license agreement in the following situations:
 - the license controls the price that the licensee charges for products or services sold under the license;
 - the Company issues a license to, or takes a license from, an actual or potential competitor for any of the Company's products or services; or
 - the Company issues a license to, or takes a license from, the holder of a patent covering technology that is an alternative to technology covered by one of the Company's patents.
- **Patent pools.** Any arrangement involving the joint licensing of the patents of two or more independent patent holders must be reviewed by the Legal Department.

8. CORPORATE TRANSACTIONS

Acquisitions of assets or equity from another company can violate the antitrust laws if the effect of the acquisition could impair competition. Parties to transactions that meet certain financial thresholds, regardless of the deal's effect on competition, must give prior notice to federal antitrust agencies and delay closing their transactions for specified periods.

To ensure the Company's compliance with this notice requirement, employees must consult the Legal Department before reaching an agreement on a transaction that would result in the acquisition by the Company (or by any affiliate) of either assets, equity or a combination of the two valued in excess of \$75.9 million. Included in that value may be assets or equity previously acquired from the same seller and still held by the Company or its affiliates.

The failure to file a required notice with the agencies can have serious consequences. The parties can be:

- Fined up to \$16,000 per day for each day that they proceed without filing.
- Required to undo their transaction.
- Forced to delay closing until they have made a filing and the specified waiting period has expired.

The parties to a corporate transaction must also avoid "gun jumping" (that is, taking substantial steps to coordinate or integrate their activities before the required waiting period has expired). Standard contractual provisions that require a target to preserve its assets and operations until closing usually raise no issues. However, when the acquiring party exercises significant influence over the management of the target, or where the parties coordinate their business activities, the antitrust agencies may conclude that the parties are enjoying the benefits of their transaction prematurely and seek to impose fines.

9. REPORTING CHANNELS

To fulfill the Company's commitment to comply with antitrust law, all of us have an obligation to report any of the following:

- A violation of the law.
- Conduct that might be a violation of the law.
- Questionable conduct that might indicate a violation.

A report may be made to any of the following:

- An employee's supervisor, unless the employee suspects that the supervisor has participated in or condoned the violation.
- A member of the Legal Department.
- The Employee Help Line.

Reporting to the Employee Help Line

The Employee Help Line is a 24-hour service that any employee can contact to report any violation or potential violation of the law. Employees can also use the Employee Help Line to seek any guidance on legal and ethical compliance. The Compliance Hotline can be contacted through one of the following channels:

- Toll Free Telephone: 1 (888) 792-1112
- Email: emprelations@ferrellgas.com

All calls made to the Employee Help Line are accepted on good faith. If you submit any report made in good faith of an actual or potential instance of illegal or unethical misconduct and it is found to not be valid, no retaliation will be taken against you and your submission will remain confidential to the greatest extent possible. Your reports to the Compliance Hotline will be confidential, if you so request.

EMPLOYEE PROTECTION STATEMENT: Ferrellgas provides protection from discipline, discharge, and other discriminatory actions in retaliation of Employees' good faith complaints concerning safety and health hazards and unethical/questionable business conduct.