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Dear Ms. Rogge:

Attached are portions of the Phase I Site Assessments for the following sites: Keosauqua, Iowa; Stanwood, Iowa; and Murray, Iowa. Scott Young asked that I fax these to you for your review. I will contact you tomorrow morning to discuss any questions or concerns you may have.

Very truly yours,

Jackie King

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MODIFIED PHASE I ENVIRONMENTAL SITE ASSESSMENT

FERRELLGAS, INC.
1943 HIGHWAY 1 NORTH
BOX 239
KEOSAUQUA, IOWA

Prepared For:

Ms. Jacqueline McMahon King
Bryan Cave LLP
Kansas City, Missouri

Prepared By:

Montgomery Watson
11107 Aurora Avenue
Des Moines, Iowa 50322

October 17, 1997

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1.0 INTRODUCTION AND LIMITATIONS

Montgomery Watson was retained by Ferrellgas, Inc. (Ferrellgas) to perform a modified Phase I Environmental Site Assessment (ESA) of a Ferrellgas facility located at 1943 Highway 1 North, Box 239, Keosauqua, Iowa. The site was visited by Montgomery Watson's representative, Mr. Dain M. Brandrup, on September 11, 1997. During the site visit, facility representatives were interviewed and operations observed. The site walk through included a tour of the office and storage buildings. The perimeter of the site and outside areas were also inspected.

Mr. Rodney Peck, Plant Supervisor, and Craig Wenger, District Manager for Ferrellgas, conducted a tour of the buildings and site and provided information regarding the site. A copy of Montgomery Watson's Phase I ESA standard checklist, utilized as a questionnaire to gather site-specific information, is provided in Appendix A. The assessment was conducted in the context of post-acquisition due diligence for the purpose of assessing if potential environmental concerns exist at the site. The scope of work performed for the assessment included reviewing existing information provided by Ferrellgas, performing a site reconnaissance and collecting associated data, and preparing this site assessment report.

This environmental assessment and report meet the March 10, 1997 American Society for Testing and Materials (ASTM) Standards (Standard E1527-97), except for modifications specified by Ferrellgas. Specifically, the environmental information described in Section 7.2 of the Standard was not requested by Ferrellgas. As specified under these Standards, certain responsibilities lie with the "user" of the assessment. The "user" is generally the purchaser, owner, lender, property manager, or potential tenant and, for purposes of this project, is considered to be Ferrellgas. Under the ASTM Standard it is the responsibility of the "user" to verify whether any environmental liens exist with regard to the property, and provide this information to the environmental professional preparing the assessment.

Additionally, the "user" must make the professional aware of any specialized knowledge or experience that is material to identifying Recognized Environmental Conditions in connection with the property.

"Recognized Environmental Conditions" are defined by ASTM as follows: "The presence or likely presence of any Hazardous Substances or Petroleum Products on a Property under conditions that indicate an existing release, a past release, or a material threat of a release of any Hazardous Substances or Petroleum Products into structures on the Property or into the ground, groundwater, or surface water of the Property. The term includes Hazardous Substances or Petroleum Products even under conditions in compliance with laws. The term is not intended to include de minimis conditions that generally do not present a material risk of harm to public health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate governmental agencies."

In conducting this assessment, Montgomery Watson's work was performed consistent with that level of care and skill ordinarily exercised by members of the profession currently practicing in the same locality under similar conditions. Information provided to Montgomery Watson by client representatives and site contacts has been accepted in good faith and is assumed to be accurate unless written documentation or visual observations contradicted it. Montgomery Watson's finding are based on observations and data collected at one point in time. Assessment results are based upon conditions and operations at the time of the site visit. A change in any of these factors may alter the findings and conclusions expressed by Montgomery Watson.

A site walk through, by nature, is limited in its ability to fully assess potential environmental liabilities or concerns associated with a property. Further investigation would be required to identify potential environmental liabilities which may be present at

the site, but which were beyond detection by performance of the scope of this Phase I ESA. State and federal laws and regulations, if referenced in this report, are provided for information purposes and should not be construed as legal opinion or recommendation.

This modified Phase I ESA was completed under the direction of Montgomery Watson's client, Ferrellgas, in general accordance with the ASTM Standard E1527-97. Use of this report by any third party is expressly prohibited without the written authorization of Ferrellgas and Montgomery Watson, including the third party's agreement to accept Montgomery Watson's terms and conditions respecting indemnification and agreed upon limitation of liability.

2.0 SITE LOCATION AND DESCRIPTION

2.1 SITE LOCATION AND LEGAL DESCRIPTION

The Ferrellgas site is located at 1943 Highway 1 North, Box 239, Keosauqua, Iowa (Figure 1). The property consists of 0.83 acres upon which are located two buildings of approximately 640 square feet (sf) and 36 sf (Figure 2). A legal description for the property is provided in Appendix B. The site is situated in an area of commercial and agricultural development.

2.2 SITE OPERATIONS HISTORY

The Ferrellgas facility is currently involved with providing services associated with the storage, distribution, and use of propane gas. Current operations performed by or at the site include transport and delivery of propane gas and propane gas tanks to residential sites; scraping, power washing, and painting empty tanks; and repairing tanks and tank appurtenances. No manufacturing activities occur at the site. Before 1977 the site was undeveloped farmland. From 1977 to about 1984 the site was utilized for propane and liquid fertilizer sales and storage. From 1984 to the present the site has been used for the storage, distribution, and use of propane gas. The chain of title and history of the site are further discussed in Section 3.0.

The site office and storage building is constructed entirely of metal and rests on a concrete slab foundation. The building contains a reception area, office, rest room, and a heated storage/utility area with access via an overhead door. It is used for the storage of office equipment, files, paint, chemicals, machinery, and miscellaneous equipment. The cylinder storage shed is constructed entirely of metal and rests on a concrete slab foundation, with access through a side door. It is used for the storage and filling of propane cylinders.

2.3 GROUNDS, TOPOGRAPHY, AND DRAINAGE

Nearly the entire site, with the exception of a small grass-covered area on the western edge of the property, is gravel covered. The site office and storage building is located in the northeast corner of the property. The 30,000-gallon propane storage tank, cylinder shed, and security fence are located in the middle of the property. Areas directly to the west of both the security fence and the site office and storage building are used for parking. The northeast and southeast corners of the site are used for storing empty 250-, 500-, and 1,000-gallon propane tanks. An on-site septic system, no longer in use, has been pumped out and covered over. The abandoned septic system is located south of the site office and storage building. The propane storage area is partially surrounded by a lockable fence.

The topography of the site is generally flat, with the majority of the site sloping to the south. Surface water runoff from the site appears to either infiltrate or flow in a sheet-flow pattern to the south or east to off-site areas or to a drainage ditch located along Highway 1. No catch basins or storm sewers are located on the property.

No on-site surface water bodies exist. The closest water body to the site is an intermittent tributary of the Des Moines River located one-eighth of a mile to the east of the site.

Mr. Peck reported the property water service is provided by the city of Keosauqua. The site, formerly serviced by an on-site septic system, is now connected to the city of Keosauqua sanitary sewer, as further discussed in Section 4.0. Electric service is provided by Iowa Electric and gas service is provided by Ferrellgas. The facility is heated by a propane gas, forced air furnace. No storage of fuel other than propane occurs at the site.

PART 2

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Mr. Peck indicated that the facility is bordered by a 25-foot easement and Highway 1 on the west, beyond which are commercial properties. The site is bounded on the north by an empty commercial lot and to the south and east by undeveloped and/or agricultural properties.

3.0 RECORDS REVIEW

Section 3 includes three subsections, each of which provides information related to the records review performed for the site. The Environmental Record Sources subsection identifies the various record sources utilized. The Site History subsection discusses the history of the site, based on available information and recent interviews. The Regulatory Database Review subsection provides site information with regard to federal and state databases.

3.1 ENVIRONMENTAL RECORD SOURCES

The scope of work performed for the assessment included obtaining and/or reviewing information from the following sources:

1. A site visit to make general observations for indicators of potential environmental impacts or concerns. This included observations of site activities, ground surface conditions (e.g., indications of spills, presence of stressed vegetation, stained surface waters or soils, etc.), evidence of underground storage tanks (USTs) (fill or vent pipes, etc.), and the existence and potential impact to sensitive areas (streams, etc.).

2. Review of City Directories Abstract, EDR Sanborn, Inc. (EDR) Inquiry Number: 196989-45.

3. Review of the U. S. Geological Survey topographic map of the Keosauqua, Iowa 7.5 minute Quadrangle dated 1968.

4. Review of historical aerial photograph taken in 1990. This photograph was reviewed at the Van Buren County Farm Services Agency.

5. Review of current state and federal lists which identify properties of known or potential environmental concern. This includes sites with identified or possible contamination ("Superfund" and state listed sites, old landfills, sites with historical spills or leaking underground storage tanks, etc.), facilities which generate hazardous wastes, and properties which contain underground storage tanks. Databases reviewed in this process are included in the E Data Resources, Inc. (EDR) Site Report included in

Appendix C. At the request of Ferrellgas, the databases were searched for the site only and did not include surrounding properties.

6. Review of available facility information pertaining to environmental issues associated with site operations. This included, but was not limited to, the following provided by Ferrellgas:

   - Legal Description, January 21, 1985
   - Facility Assessment, Skelgas, October 1992

7. Contact with the following local and/or state agencies:

   - Van Buren County Farm Service Agency ((515) 664-2616)
   - Natural Resources Conservation Service ((319) 293-3523)
   - Van Buren County Auditor's Office ((319) 293-3129)
   - Van Buren County Assessor's Office ((319) 293-3129)
   - Keosauqua Fire Department ((319) 293-7110)
   - Iowa Department of Natural Resources ((515) 281-4367)

3.2 SITE HISTORY

General information regarding the history of the site was obtained from interviews with site personnel and review of available historical documents. According to the records of the Van Buren County Auditor and Assessor, the site was farmland owned by Mattie and Frank Van Patton prior to 1952. The site was acquired by Thomas and Verna Teal in 1952. In 1963 the property was acquired by Getty Oil Company (formerly Skelly Oil). From the middle 1960s to about 1984 the site was utilized for propane and liquid fertilizer sales and storage. In March of 1977 Getty Oil Company was bought by a new shareholder and became Getty Refining and Manufacturing Company (Getty). In 1984 the site was purchased by Skelgas Incorporated (later to become SGI) and was used exclusively for the

storage, service, and sale of propane. In May of 1996 the property was acquired by Ferrellgas. Since the May 1996 acquisition by Ferrellgas, the property has been used for the storage, distribution, and sale of propane, as witnessed during the walk through.

3.2.1 Previous Environmental Site Assessment Activities

In October 1990, Mr. Pete Kennedy performed a facility assessment to briefly identify any environmental concerns associated with the Skelgas site. Mr. Kennedy determined that the liquid fertilizer operations ceased in 1984 and the equipment was removed in 1988. There was a major spill of liquid fertilizer involving the local authorities in 1984.

Neither Mr. Peck nor Mr. Wenger knew of any previous environmental site assessment activities.

3.2.2 Aerial Photographs

Review of the 1990 aerial photograph showed the site to be developed. Properties to the north and west were noted to be commercial while the balance of surrounding properties were mostly undeveloped or agricultural.

3.2.3 Historical Maps and Other Documentation

No Sanborn Fire Insurance Map coverage of the site is available (Appendix C).

3.2.4 Site Geology and Hydrogeology

A review of the soil survey of Des Moines County indicates that the surfical geology of the area is characterized by soils formed mainly in Wisconsin loess which overlies glacial till of pre-Illinoian or Kansan age. Thickness of the loess and till fluctuates throughout the area due to variations in amounts deposited and local erosion. Generally loess and till are thickest on the upland areas and thinnest in the steep slopes and in small valleys. The

dominant soils near the site are those of the Soils on Benches association, which are classified as poorly and imperfectly drained silty soils on uplands. The underlying subsoil is a slowly permeable silty clay that restricts the movement of both air and water.

3.2.5 Environmental Liens and Other Litigation

The EDR Site Report found no environmental liens currently or historically encumbering the property. Mr. Peck was not aware of any environmental liens encumbering the property or any past, pending, or threatened litigation against the property. Mr. Peck did report specialized knowledge or experience that would provide important information about previous ownership or uses of the property that may be material to identifying recognized environmental conditions (regarding on-site storage and the 1984 spill of liquid fertilizer).

3.3 REGULATORY DATABASE REVIEW

Various state and federal lists which identify properties with confirmed or possible contamination, facilities which generate hazardous wastes, sites with USTs, and properties involved in federal enforcement actions were reviewed to assess the environmental status of the site. The following information was provided by EDR for the Ferrellgas property. The complete EDR Site Report is provided in Appendix C.

Database Reference	Subject Site		Database Reference	Subject Site
RCRIS	Not Listed		HMIRS	Not Listed
RCRIS/TSDF	Not Listed		NPL	Not Listed
RCRIS/VIOL	Not Listed		CERCLIS	Not Listed
RAATS	Not Listed		LIENS	Not Listed
CORRACTS	Not Listed		SHWS	Not Listed
PADS	Not Listed		SWF/LF	Not Listed
MLTS	Not Listed		TRIS	Not Listed
AST	Not Listed		TSCA	Not Listed
UST	Not Listed		FTTS	Not Listed
LUST	Not Listed		FINDS	Not Listed
ERNS	Not Listed		LOCAL	Not Listed

The Ferrellgas site located in Keosauqua, Iowa was not identified on any of the searched federal, state, or local lists which identify with confirmed or possible contamination, facilities which generate hazardous wastes, sites with USTs, and properties involved in federal enforcement actions.

4.0 SITE RECONNAISSANCE AND INTERVIEWS

4.1 GENERAL SITE OBSERVATIONS

Photographs of selected site features were taken during the site visit. Where appropriate, a reference to a selected photograph is included in the text below. Copies of selected photographs are included in Appendix D.

4.1.1 Site Buildings

The site office and storage building (Photo No. 1) is constructed entirely of metal and rests on a concrete slab foundation. The building contains a reception area, office, rest room, and a heated storage/utility area with access via an overhead door. The reception, office, and rest room floor areas are tiled, while the storage floor is concrete. The site office and storage building is used to house office equipment, files, paint, chemicals, machinery, and miscellaneous equipment.

The cylinder storage shed is constructed entirely of metal and rests on a concrete slab foundation, with access through a side door. It is used for the storage and filling of propane cylinders. There were no floor drains located within the on-site buildings. There was no visible staining on the floors of the buildings and housekeeping throughout the buildings was good.

4.1.2 Outside Areas

The northern and eastern portions of the property are gravel covered (Photo No. 1 and 2). Numerous 250-, 500-, and 1,000-gallon residential propane tanks were stored in this area. The southeast corner of the property is where Ferrellgas personnel scrape, power wash,

and paint the residential tanks (Photo No. 2). This area is also where the now abandoned septic system is located. No staining of the ground surface was noted in this area.

The northern portion of the property is gravel covered (Photo No. 1). This area is where the pump pit, fertilizer storage, and mixing operations were located (Photo Nos. 3 through 5). No staining of the ground surface was noted in this area.

The central portion of the property is gravel covered (Photo No. 6). To the south of the site office and storage building is a garbage receptacle. Mr. Peck reported that the garbage receptacle contains general refuse and is hauled to the Van Buren County Recycling Center by Mr. Peck, as discussed below. Partially within the confines of a lockable security fence, located in the middle of the property, are one, 30,000-gallon supply tank containing propane (Photo Nos. 10 and 11) and the cylinder storage shed. Also located in the central portion of the property is a 10 by 35 foot concrete pad (Photo No. 7), which served as a loading dock for the liquid fertilizer operations. No staining of the ground surface was noted in this area.

The southern portion of the property is gravel covered. An earthen berm was constructed along the southern property line following the 1984 spill of liquid fertilizer (Photo Nos. 8 and 9). Mr. Peck reported that the liquid fertilizer spill ran downhill, across the property, and into the property to the south. It was estimated that the spill effected an area from the northern edge of the property, south almost 200 feet into the neighboring property (Photo No. 8). The grass in the field to the south was killed off for a period of approximately two years.

The areas along the southern and eastern property boundaries were excavated and subsequently backfilled following the installation of the new sewer line in 1996 (Photo Nos. 2 and 9).

4.2 MATERIAL HANDLING

Materials currently used at the facility include propane, methanol, paints, oil, solvents, leak detection solution (soap), and small volumes of maintenance and cleaning chemicals. Mr. Peck indicated propane is stored in a 30,000-gallon aboveground storage tank and one, 3,000-gallon delivery truck. The maximum volume of propane stored on site at a given time would be approximately 30,000 gallons.

Mr. Peck indicated that two to four 5-gallon pails of Klinger Paint Co. paints are typically on site and are stored in the office and storage building. No staining was noted near the paint.

Mr. Peck reported that methanol, when needed, is delivered in one-gallon bottles from the Fairfield, Iowa Ferrellgas location. Mr. Peck also indicated that, although service vehicle maintenance is contracted off-site, oil may be added to the service vehicles, if necessary. Small volumes of oil, methanol, leak detection solution (soap), and other cleaning chemicals were noted in the office and storage building. No leaks or spills of these liquids were noted during the walk through.

4.3 WASTE MANAGEMENT

No hazardous or process wastes are currently or have historically been generated by Ferrellgas at the facility. Wastes generated by the facility include general refuse, which is hauled to the Van Buren County Recycling Center by Mr. Peck.

4.4 WASTEWATER DISCHARGES

Wastewater discharges from the site are limited to sanitary wastes, which are discharged to the city of Keosauqua sanitary sewer. Formerly, wastewater discharges from the site were

discharged to an on-site septic system located just south of the site office and storage building.

4.5 UNDERGROUND AND ABOVEGROUND TANKS

A review of state and federal lists indicated that no USTs are currently registered at the site. According to Mr. Peck, no USTs are or historically have been present at the site. No evidence of USTs was noted during the site visit.

Numerous aboveground storage tanks (ASTs) were noted during the site walk through. Mr. Peck reported that approximately 5, 250-gallon tanks; 10, 500-gallon tanks; and 2, 1,000-gallon tanks may be present at the site at a given time. These tanks are empty and are used for residential installations. Mr. Peck reported the 30,000-gallon propane AST was manufactured in 1970s and is used to fill tanks and the tanker truck. The 30,000-gallon AST is reportedly registered with the State Fire Marshall.

4.6 AIR EMISSIONS

No process related air emissions are currently generated at the facility. The only air emissions generated at the site are fugitive emissions of propane and volatile organic compounds (VOCs) during tank maintenance painting operations. The painting operations are performed by Ferrellgas personnel, usually in the southeast corner of the property.

4.7 POLYCHLORINATED BIPHENYLS

An evaluation was made regarding the presence of potential polychlorinated biphenyl (PCB) containing equipment and areas of possible PCB contamination. An inspection of the site revealed that there were no transformers located on or adjacent to the property.

5.0 FINDINGS AND CONCLUSIONS

5.1 FINDINGS

5.1.1 Database and Historical

The Ferrellgas site located in Keosauqua, Iowa was not identified on any federal, state, or local list searched.

The 1984 spill of liquid fertilizer was identified as a recognized environmental condition based on review of historical information. The 1984 spill of liquid fertilizer occurred on the property and reportedly impacted the property to the south. A search of the spill reports at the Iowa Department of Natural Resources (IDNR) in Des Moines turned up no further documentation of the incident.

The site was undeveloped land prior to 1963. Operations at the site have been limited to storage and transfer of propane and minor maintenance and tank painting operations since 1984. No large quantities of chemicals have been used or stored at the site since 1984.

5.1.2 Site Buildings

The site buildings were noted to be in good condition and housekeeping throughout was good. There was no visible staining on the floor of the buildings. There were no floor drains located within the buildings.

5.1.3 Outside Areas

The southeast corner of the property is where Ferrellgas personnel scrape, power wash, and paint the residential tanks. This area is also where the now abandoned septic system is located. No staining of the ground surface was noted in this area, however, the subsoil is covered with gravel, making the identification of stained areas difficult.

The pump pit; fertilizer storage; mixing operations; and a 10 by 35 foot concrete pad, which served as a loading dock for the liquid fertilizer operations, are located in the northern and central portions of the property. No staining of the ground surface was noted in these areas, however, the subsoil is covered with gravel and this area of the site is subject to heavy traffic, making the identification of stained areas difficult.

The areas along the southern and eastern property boundaries were excavated and subsequently backfilled following the installation of the new sewer line in 1996.

5.1.4 Material Handling

Materials currently used at the facility include propane, methanol, paints, oil, solvents, leak detection solution (soap), and small volumes of maintenance and cleaning chemicals. Propane is stored in a 30,000-gallon aboveground storage tank and one 3,000-gallon delivery truck.

Two to four 5-gallon pails of Klinger Paint Co. paints are typically on site and are stored in the office and storage building. No staining was noted near the paint. Methanol, when needed, is delivered in one-gallon bottles from the Fairfield, Iowa Ferrellgas location. Small volumes of oil, methanol, leak detection solution (soap), and other cleaning chemicals were noted in the office and storage building. No leaks or spills of these liquids were noted during the walk through.

5.1.5 Waste Management

No hazardous or process wastes are currently or have historically been generated by Ferrellgas at the facility. Wastes generated by the facility include general refuse, which hauled to the Van Buren County Recycling Center by Mr. Peck.

5.1.6 Wastewater Discharges

Wastewater discharges from the site are limited to sanitary wastes, which are discharged to the city of Keosauqua sanitary sewer. Formerly, wastewater discharges from the site were discharged to an on-site septic system located just south of the site office and storage building.

5.1.7 Underground and Aboveground Tanks

A review of state and federal lists indicated that no USTs are currently registered at the site. According to Mr. Peck, no USTs are or historically have been present at the site. No evidence of USTs was noted during the site visit.

Approximately 5, 250-gallon tanks; 10, 500-gallon tanks; and 2, 1,000-gallon tanks may be present at the site at a given time. These tanks are empty and are used for residential installations. The 30,000-gallon propane AST was manufactured in the 1970s and is used to fill tanks and the tanker truck. The 30,000-gallon AST is reportedly registered with the State Fire Marshall.

5.1.8 Air Emissions

No process related air emissions are currently generated at the facility. The only air emissions generated at the site are fugitive emissions of propane and VOCs during tank maintenance painting operations. The painting operations are performed by Ferrellgas personnel, usually in the southeast corner of the property.

5.1.9 Polychlorinated Biphenyls

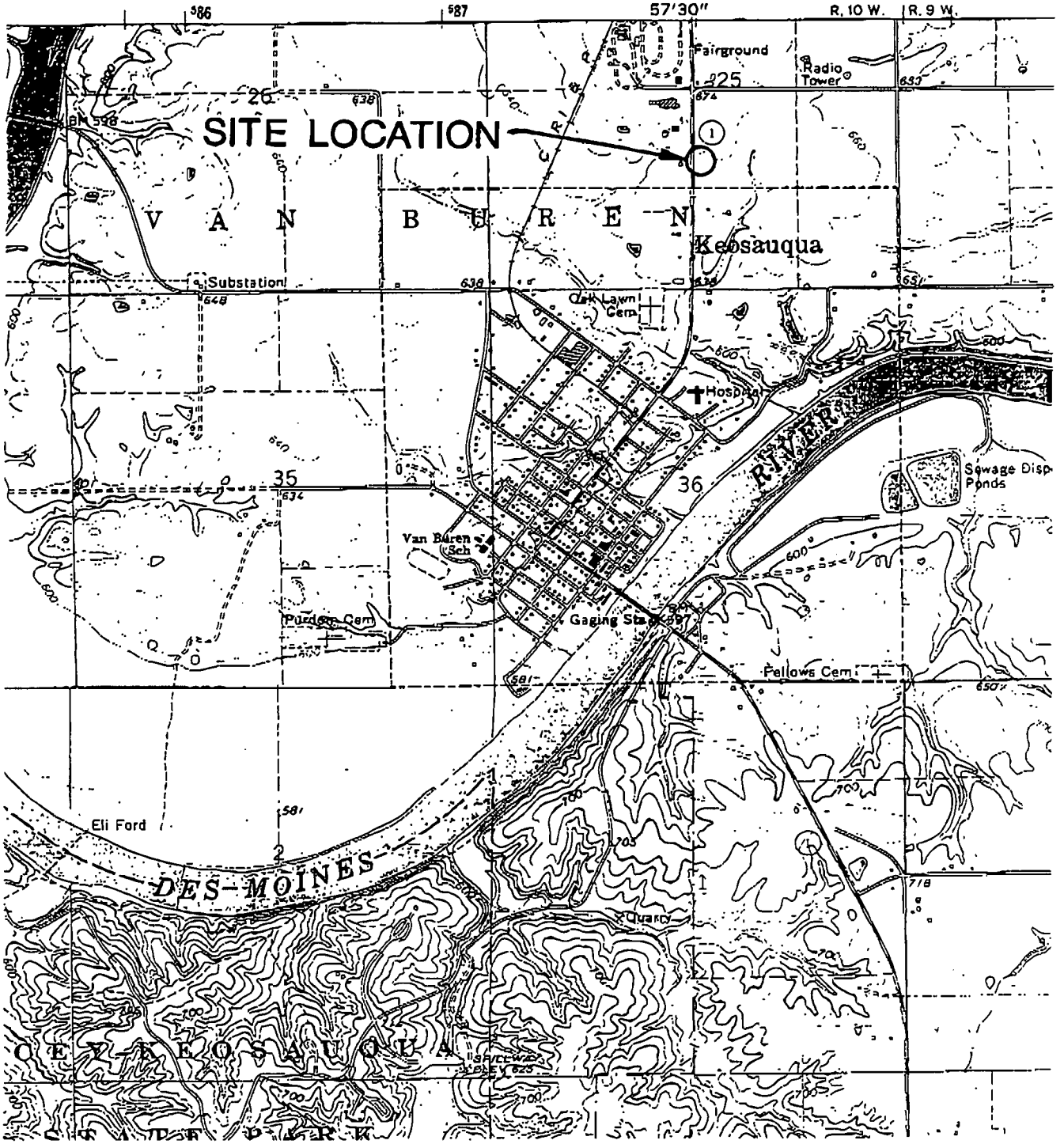
An inspection of the site revealed that there were no transformers located on or adjacent to the property.

5.2 CONCLUSIONS

Montgomery Watson has performed this modified Phase I Environmental Site Assessment of the building and property located at 1943 Highway 1 North, Box 239, Keosauqua, Iowa in conformance with the scope and limitations of ASTM Standard E1527-97. Any exceptions to, or deletions from, the Standard are described in the Introduction and Limitations section of this report. This assessment has revealed evidence of two Recognized Environmental Conditions (as defined in Section 1.0) in connection with the property. The Recognized Environmental Conditions at the Keosauqua, Iowa site are:

- the prior use of the facility for fertilizer storage and mixing, and
- the 1984 spill of liquid fertilizer.

This environmental site assessment report was prepared for the exclusive use of our client, Ferrellgas, and was conducted in general accordance with ASTM Standard E1527-97. Any third party interested in using this report must first secure written authorization from Ferrellgas and Montgomery Watson, and agree to accept Montgomery Watson's terms and conditions respecting indemnification and agreed upon limitation of liability.



MAP SOURCE:
KEOSAUQUA, IOWA 7.5 MINUTE U.S.G.S. TOPOGRAPHIC QUADRANGLE MAP DATED 1968.

north

0 1000 2000

APPROXIMATE SCALE IN FEET

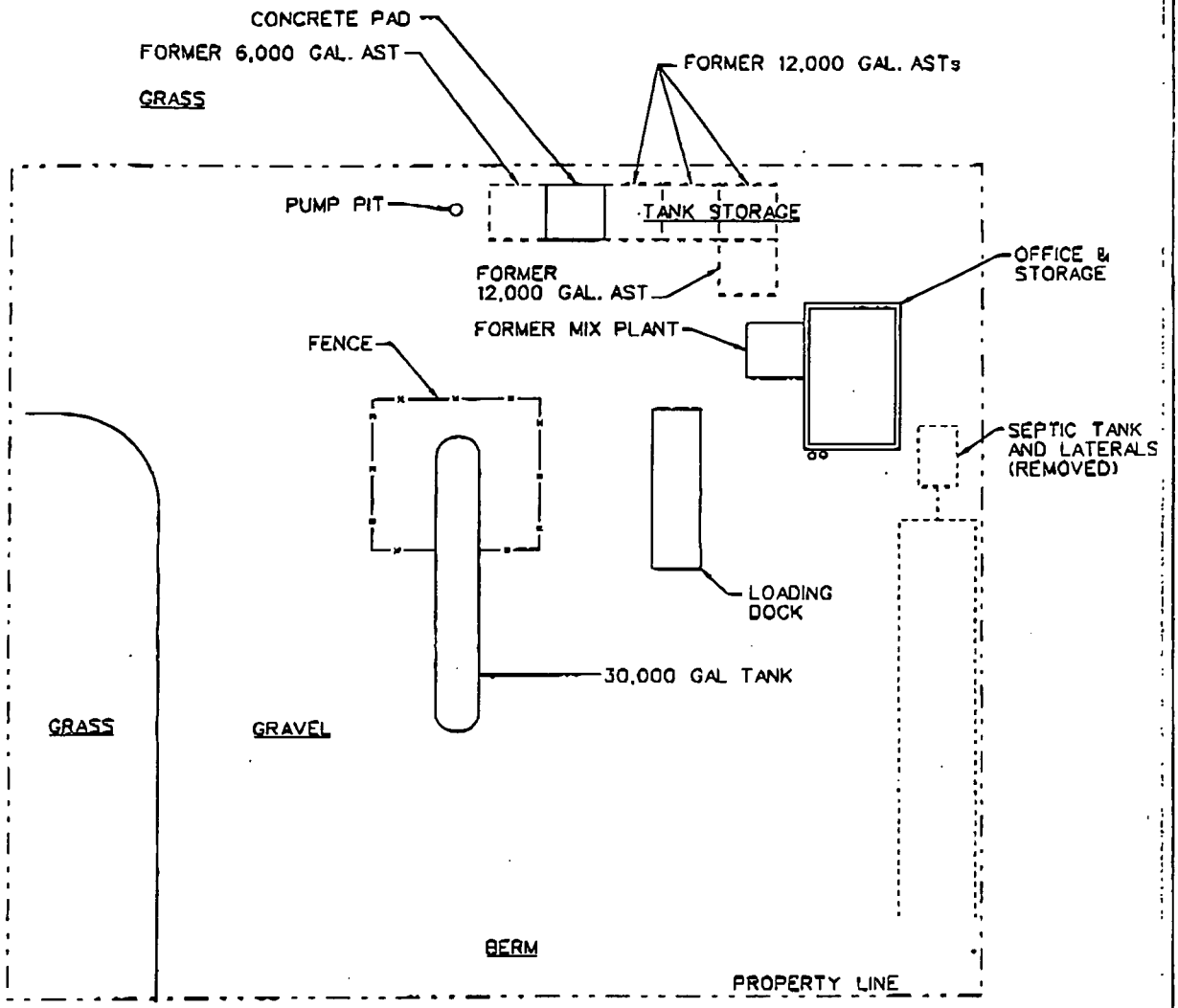
FERRELLGAS, INC.
KEOSAUQUA, IOWA

SITE LOCATION MAP

FIGURE 1

MONTGOMERY WATSON

BDR.DGN



north

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APPROXIMATE SCALE IN FEET

FERRELLGAS, INC.
KEOSAUQUA, IOWA

SITE FEATURES MAP

FIGURE 2

MONTGOMERY WATSON

MURRAY_BASE.DGN