

CVR PARTNERS, LP
Form S-1
March 06, 2012
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As filed with the Securities and Exchange Commission on March 6, 2012

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CVR PARTNERS, LP

(Exact Name of Registrant as Specified in Its Charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

2873
*(Primary Standard Industrial
Classification Code Number)*
2277 Plaza Drive, Suite 500

Sugar Land, Texas 77479

56-2677689
*(I.R.S. Employer
Identification Number)*

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(281) 207-3200

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Edmund S. Gross

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(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

With a copy to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 (the Securities Act), check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

Large accelerated filer " Accelerated filer " Non-accelerated filer b Smaller reporting company "

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

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Title of Each Class of	Proposed Aggregate Offering Price ⁽¹⁾⁽²⁾	Amount of
Securities to be Registered		Registration Fee
Common units representing limited partner interests	\$250,000,000	\$28,650

(1) Includes common units that the underwriters have the option to purchase.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Dated March 6, 2012

Common Units

Representing Limited Partner Interests

CVR Partners, LP

All of the common units representing limited partner interests, or common units, to be sold in this offering are being sold by Coffeyville Resources, LLC, or the Selling Unitholder, which owns our general partner and following this offering will own approximately % of our common units. In addition, the Selling Unitholder has granted the underwriters an option to purchase up to an additional common units from us to cover over-allotments, if any, within 30 days from the date of this prospectus. The Selling Unitholder would own approximately % of our common units if the underwriters exercise their option to purchase additional common units in full. We will not receive any of the proceeds from the sale of common units by the Selling Unitholder.

Our common units are listed on the New York Stock Exchange under the symbol UAN. The last reported sale price of our common units on March 5, 2012 was \$25.35 per share.

Investing in our common units involves risks. Please read Risk Factors beginning on page 17. These risks include the following:

We may not have sufficient available cash to pay any quarterly distribution on our common units.

The nitrogen fertilizer business is, and nitrogen fertilizer prices are, cyclical and highly volatile and have experienced substantial downturns in the past. Cycles in demand and pricing could potentially expose us to substantial fluctuations in our operating and financial results, and expose you to substantial volatility in our quarterly cash distributions and material reductions in the trading price of our common units.

The amount of our quarterly cash distributions will be directly dependent on the performance of our business and will vary significantly both quarterly and annually. Unlike most publicly traded partnerships, we do not have a minimum quarterly distribution or employ structures intended to consistently maintain or increase distributions over time.

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Our partnership agreement does not require us to pay distributions on a quarterly basis or otherwise. Although our general partner's current policy is to distribute all of our available cash on a quarterly basis, the board of directors of our general partner may at any time, for any reason, change this policy, decrease the amount of distributions we pay or decide not to pay cash distributions on a quarterly basis or any other basis.

We depend on CVR Energy, Inc., or CVR Energy, for the majority of our supply of petroleum coke, or pet coke, an essential raw material used in our operations. Any significant disruption in the supply of pet coke from CVR Energy could negatively impact our results of operations to the extent third-party pet coke is unavailable or available only at higher prices.

You will be required to pay taxes on your share of our income even if you do not receive any cash distributions from us.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Common Unit	Total
Public Offering Price	\$	\$
Underwriting Discounts and Commissions	\$	\$
Proceeds Before Expenses to the Selling Unitholder	\$	\$

To the extent the underwriters sell more than _____ common units, the underwriters have the option to purchase up to an additional _____ common units from the Selling Unitholder at the public offering price less the underwriting discounts and commissions. We will not receive any of the proceeds from the sale of common units pursuant to any exercise of the underwriters' option to purchase additional common units.

The underwriters expect to deliver the common units to purchasers on or about _____, 2012.

Barclays Capital

Deutsche Bank Securities

Goldman, Sachs & Co.

Morgan Stanley

UBS Investment Bank

The date of this prospectus is _____, 2012.

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume the information appearing or incorporated by reference in this prospectus is accurate as of the date on the front cover page of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date. Information incorporated by reference from earlier documents is superseded by the information set forth in this prospectus and by information incorporated by reference from more recent documents. Any statement so superseded shall not be deemed to constitute a part of this prospectus.

For investors outside the United States: We have not, and the underwriters have not, done anything that would permit this offering, or possession or distribution of this prospectus, in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the common units and the distribution of this prospectus outside of the United States.

Industry and Market Data

The data included in this prospectus regarding the nitrogen fertilizer industry, including trends in the market and our position within the nitrogen fertilizer industry, is based on a variety of sources, including independent industry publications, government publications and other published independent sources, information obtained from customers, distributors, suppliers, trade and business organizations and publicly available information, as well as our good faith estimates, which have been derived from management's knowledge and experience in the areas in which our business operates. Estimates of market size and relative positions in a market are difficult to develop and inherently uncertain. Accordingly, investors should not place undue weight on the industry and market share data presented in this prospectus.

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and the documents incorporated by reference herein. You should carefully read the entire prospectus, including the Risk Factors sections herein and in our Annual Report on Form 10-K for the year ended December 31, 2011 (the 2011 Form 10-K) and the consolidated historical financial statements and related notes incorporated by reference into this prospectus, before making an investment decision. Unless otherwise indicated, the information in this prospectus assumes that the underwriters do not exercise their option to purchase additional common units from the Selling Unitholder. References in this prospectus to CVR Partners, we, our, us or like terms refer to CVR Partners, LP and its consolidated subsidiary unless the context otherwise requires or where otherwise indicated. References in this prospectus to CVR Energy refer to CVR Energy, Inc. and its consolidated subsidiaries other than CVR Partners unless the context otherwise requires or where otherwise indicated, references to the Selling Unitholder refer to Coffeyville Resources, LLC, a wholly-owned subsidiary of CVR Energy that, prior to this offering, owns approximately 70% of our common units, and following this offering, will own approximately % of our common units (% if the underwriters exercise their option to purchase additional common units in full) and references to CVR GP or our general partner refer to CVR GP, LLC, which is an indirect wholly-owned subsidiary of CVR Energy. You should also see the Glossary of Selected Terms contained in Appendix A for definitions of some of the terms we use to describe our business and industry and other terms used in this prospectus.

CVR Partners, LP

Overview

We are a Delaware limited partnership formed by CVR Energy to own, operate and grow our nitrogen fertilizer business. Strategically located adjacent to CVR Energy's refinery in Coffeyville, Kansas, our nitrogen fertilizer manufacturing facility is the only operation in North America that utilizes a petroleum coke, or pet coke, gasification process to produce nitrogen fertilizer (based on data provided by Blue, Johnson & Associates, Inc., or Blue Johnson).

We produce and distribute nitrogen fertilizer products, which are used primarily by farmers to improve the yield and quality of their crops. Our principal products are ammonia and UAN. These products are manufactured at our facility in Coffeyville, Kansas. Our product sales are heavily weighted toward UAN and all of our products are sold on a wholesale basis.

Our facility includes a 1,225 ton-per-day ammonia unit, a 2,025 ton-per-day UAN unit and a gasifier complex with built-in redundancy having a capacity of 84 million standard cubic feet per day. We upgrade a majority of the ammonia we produce to higher margin UAN fertilizer, an aqueous solution of urea and ammonium nitrate which has historically commanded a premium price over ammonia. In 2011, we produced 411,189 tons of ammonia, of which approximately 72% was upgraded into 714,130 tons of UAN.

We are expanding our existing asset base and utilizing the experience of our and CVR Energy's management teams to execute our growth strategy, which includes expanding production of UAN and acquiring and building additional infrastructure and production assets. A significant two-year plant expansion designed to increase our UAN production capacity by 400,000 tons, or approximately 50%, per year, is underway. CVR Energy, a New York Stock Exchange listed company, which indirectly owns our general partner and will own approximately % of our outstanding common units following this offering, currently operates a 115,000 barrels per day (bpd) oil refinery in Coffeyville, Kansas, a 70,000 bpd oil refinery in Wynnewood, Oklahoma, and ancillary businesses.

The primary raw material feedstock utilized in our nitrogen fertilizer production process is pet coke, which is produced during the crude oil refining process. In contrast, substantially all of our nitrogen fertilizer competitors use natural gas as their primary raw material feedstock. Historically, pet coke has been less expensive than natural gas on a per ton of fertilizer produced basis and pet coke prices have been more stable when com-

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pared to natural gas prices. We believe our nitrogen fertilizer business has historically been a lower cost producer and marketer of ammonia and UAN fertilizers in North America. During the past five years, over 70% of the pet coke consumed by our plant was produced and supplied by CVR Energy's crude oil refinery pursuant to a renewable long-term agreement.

We generated net sales of \$302.9 million, \$180.5 million and \$208.4 million, net income of \$132.4 million, \$33.3 million and \$57.9 million, and EBITDA of \$155.3 million, \$38.7 million and \$67.6 million, for the years ended December 31, 2011, 2010 and 2009, respectively. For a reconciliation of EBITDA to net income, see footnote 8 under Summary Historical Consolidated Financial Information for the periods presented.

Our Competitive Strengths

Pure-Play Nitrogen Fertilizer Company. We believe that as a pure-play nitrogen fertilizer company we are well positioned to benefit from positive trends in the nitrogen fertilizer market in general and the UAN market in particular. We derive substantially all of our revenue from the production and sale of nitrogen fertilizers, primarily in the agricultural market, whereas most of our competitors are meaningfully diversified into other crop nutrients, such as phosphate and potassium, and make significant sales into the lower-margin industrial market. Nitrogen is an essential element for plant growth because it is the primary determinant of crop yield. Nitrogen fertilizer production is a higher margin, growing business with more stable demand compared to the production of the two other essential crop nutrients, potassium and phosphate, because nitrogen must be reapplied annually. During the last four years, ammonia and UAN prices averaged \$518 and \$321 per ton, respectively, which is a substantial increase from the average prices of \$354 and \$217 per ton, respectively, during the prior four-year period.

High Margin Nitrogen Fertilizer Producer. Our unique combination of pet coke raw material usage, premium product focus and transportation cost advantage has helped to keep our costs low and has enabled us to generate high margins. In 2011, 2010 and 2009, our operating margins were 45%, 11% and 23%, respectively (our 2010 operating margins were negatively affected by downtime associated with the Linde LLC, or Linde, air separation outage, the rupture of a high-pressure UAN vessel and the major scheduled turnaround).

Stable, Fixed-Cost Production Process. We operate the only nitrogen fertilizer production facility in North America that uses pet coke gasification to produce nitrogen fertilizer. Our unique production methodology keeps our costs approximately 87% fixed and relatively stable, which allows us to benefit directly from increases in nitrogen fertilizer prices. Our variable costs consist primarily of pet coke. Our pet coke costs have averaged \$27 per ton since we began operating under our current structure in October 2007, with a high of \$33 per ton for 2011 and a low of \$17 per ton for 2010. Third-party pet coke is readily available to us, and we paid an average cost of \$43 per ton for third-party pet coke over the five year period from 2007 through 2011. Substantially all of our nitrogen fertilizer competitors use natural gas as their primary raw material feedstock (with natural gas constituting approximately 85-90% of their total production costs, based on historical data) and are therefore heavily impacted by changes in natural gas prices. This has contributed to our historical competitive cost advantage.

Premium Product Focus. We focus on producing higher margin, higher growth UAN nitrogen fertilizer. Historically, UAN has accounted for approximately 80% of our product tons sold. UAN commands a price premium over ammonia and urea on a nutrient ton basis. Unlike ammonia and urea, UAN is easier to apply and can be applied throughout the growing season to crops directly or mixed with crop protection products, which reduces energy and labor costs for farmers. In addition, UAN is safer for farmers to handle than ammonia. The convenience of nitrogen solutions fertilizer has led to a 16.8% increase in its consumption from 2000 through 2011 (estimated), whereas ammonia fertilizer consumption decreased by 5.5% for the same period, according to data supplied by Blue Johnson. We have spent approximately \$43.6 million as of December 31, 2011, out of a total expected cost of \$135.0 million, to expand our UAN upgrading capacity so that we have the flexibility to upgrade all of our ammonia production into UAN.

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Strategically Located Asset. We and other competitors located in the U.S. farm belt share a transportation cost advantage when compared to our out-of-region competitors in serving the U.S. farm belt agricultural market. We are therefore able to cost-effectively sell substantially all of our products in the higher margin agricultural market, whereas, according to publicly available information prepared by our competitors, a significant portion of our competitors' revenues are derived from the lower margin industrial market. Because the U.S. farm belt consumes more nitrogen fertilizer than is produced in the region, it must import nitrogen fertilizer from the U.S. Gulf Coast as well as from international producers. Accordingly, U.S. farm belt producers may offer nitrogen fertilizers at prices that factor in the transportation costs of out-of-region producers without having incurred such costs. We estimate that our plant enjoys a transportation cost advantage of approximately \$25 per ton over competitors located in the U.S. Gulf Coast, based on a comparison of our actual transportation costs and recently published rail and pipeline tariffs. Our location on Union Pacific's main line increases our transportation cost advantage. Our products leave the plant either in trucks for direct shipment to customers (in which case we incur no transportation cost) or in railcars for destinations located principally on the Union Pacific Railroad.

Highly Reliable Pet Coke Gasification Fertilizer Plant with Low Capital Requirements. Our nitrogen fertilizer plant was completed in 2000 and, based on data supplied by Blue Johnson, is the newest ammonia-nitrogen fertilizer plant built in North America. Prior to our plant's construction in 2000, the last ammonia plant built in the United States was constructed in 1977. Our nitrogen fertilizer facility was built with the dual objectives of being low cost and reliable. Our facility has low maintenance costs, with maintenance capital expenditures ranging between approximately \$3 million and \$9 million per year from 2007 through 2011. We have configured the plant to have a dual-train gasifier complex to provide redundancy and improve our reliability. In 2011, our gasifier had an on-stream factor, which is defined as the total number of hours operated divided by the total number of hours in the reporting period, of approximately 99.2% (excluding the impact of downtime associated with an outage at the Linde air separation unit).

Experienced Management Team. We are managed by a highly experienced management team. Mr. Byron R. Kelley, our Chief Executive Officer, has over 41 years of experience in the midstream natural gas and independent power generation sectors and Mr. Randy Maffett, Executive Vice President of Development, has 32 years of experience in business development and marketing in the energy arena. Other senior management roles are performed by members of CVR Energy's management pursuant to a services agreement. Mr. Stanley A. Riemann, our Chief Operating Officer, has over 37 years of experience in the fertilizer and energy industries, including experience running one of the largest fertilizer manufacturing systems in the United States. Mr. Frank A. Pici, Chief Financial Officer, has over 30 years of finance experience in the energy industry and prior to joining us was chief financial officer of two publicly traded energy master limited partnerships. The members of our senior operations and marketing teams have an average of nearly 34 years of experience in the fertilizer industry, and many were on-site during the construction and startup of our nitrogen fertilizer plant in 2000. See Management Executive Officers and Directors.

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Our Business Strategy

Our objective is to maximize quarterly distributions to our unitholders by operating our nitrogen fertilizer facility in an efficient manner, maximizing production time and growing profitably within the nitrogen fertilizer industry. We intend to accomplish this objective through the following strategies:

Pay Out All of the Available Cash We Generate Each Quarter. Our strategy is to pay out all of the available cash we generate each quarter. We expect that holders of our common units will receive a greater percentage of our operating cash flow when compared to most of our publicly traded competitors across the broader fertilizer sector, such as Agrium, Potash Corporation, CF Industries, Yara and Terra Nitrogen. Our general partner's current policy is to distribute all of the available cash we generate each quarter, as described in Our Cash Distribution Policy and Restrictions On Distributions on page 50. We do not maintain excess distribution coverage for the purpose of maintaining stability or growth in our quarterly distributions or otherwise to reserve cash for future distributions. Unlike many publicly traded partnerships that have economic general partner interests and incentive distribution rights that entitle the general partner to receive disproportionate percentages of cash distributions as distributions increase (often up to 50%), our general partner has a non-economic interest and no incentive distribution rights, and is therefore not entitled to receive cash distributions. Our common unitholders will receive 100% of our cash distributions.

Pursue Growth Opportunities. We are well positioned to grow organically, through acquisitions, or both.

Expand UAN Capacity. Using a portion of the proceeds from our April 2011 Initial Public Offering, we have moved forward with an expansion of our nitrogen fertilizer plant designed to increase our UAN production capacity by 400,000 tons, or approximately 50%, per year. This approximately \$135.0 million expansion, for which approximately \$43.6 million had been spent as of December 31, 2011, will allow us the flexibility to upgrade all of our ammonia production. We expect that this additional UAN production capacity will improve our margins, as UAN has historically been a higher margin product than ammonia. The UAN expansion project is on schedule to be completed in the first quarter of 2013.

Develop Internal Projects. In addition to expanding our UAN production capacity, we are focused on other internal strategic initiatives designed to expand our footprint of operations. For example, in October 2011, the board of directors of our general partner approved a UAN terminal project, which will include the construction of a two million gallon UAN storage tank and related truck and rail car load-out facilities, to enable us to distribute up to approximately 20,000 tons of UAN fertilizer annually. In addition, we are working to expand our sales mix to higher margin products such as diesel emission fluid, more commonly known as DEF. DEF is the most widely accepted technology for reducing nitrogen oxides and particulate matter from diesel vehicle exhaust emissions. We also continue to evaluate opportunities to expand our overall ammonia and UAN production capacity through the development of new fertilizer production facilities.

Selectively Pursue Accretive Acquisitions. We intend to evaluate strategic acquisitions within the nitrogen fertilizer industry and to focus on disciplined and accretive investments that leverage our core strengths. We have no agreements or understandings with respect to any material acquisitions at the present time.

Continue to Enhance Efficiency and Reduce Operating Costs. We are currently engaged in certain projects that will reduce overall operating costs, increase efficiency and utilize byproducts to generate incremental revenue. For example, we have built a low btu gas recovery pipeline between our nitrogen fertilizer plant and CVR Energy's crude oil refinery, which will allow us to sell off-gas, an exhaust gas byproduct produced by our fertilizer plant, to the refinery. This pipeline began operating in May 2011. In addition, in March 2011, we signed an agreement to sell all of the high purity carbon dioxide, or CO₂, produced by our nitrogen fertilizer plant (currently approximately 850,000 tons per year) to an oil and gas exploration and production company.