
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **May 25, 2016**

CVR PARTNERS, LP

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation)

001-35120
(Commission File Number)

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

2277 Plaza Drive, Suite 500
Sugar Land, Texas 77479
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(281) 207-3200**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure.

CVR Partners, LP (the "Partnership") is disclosing under Item 7.01 of this Current Report on Form 8-K certain information with respect to the Partnership that has not previously been reported to the public. This information is attached hereto as Exhibit 99.1 and Exhibit 99.2 and is incorporated by reference herein. The information in Item 7.01 of this Current Report on Form 8-K and Exhibit 99.1 and Exhibit 99.2 attached hereto are being furnished and will not, except to the extent required by applicable law or regulation, be deemed filed by the Partnership for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, nor will any of such information or exhibits be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except as expressly set forth by specific reference in such filing

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits.**

Exhibit Number	Description
99.1	Unaudited consolidated interim financial information of East Dubuque Nitrogen Partners, L.P. and its subsidiaries, which comprise the consolidated balance sheet as of March 31, 2016, the related consolidated statement of partners' capital (deficit) for the three-month period ended March 31, 2016, and the related consolidated statements of income, comprehensive income and cash flows for the three-month periods ended March 31, 2016 and March 31, 2015
99.2	Audited consolidated financial statements of East Dubuque Nitrogen Partners, L.P. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and December 31, 2014, and the related consolidated statements of operations, comprehensive income (loss), partners' capital (deficit) and cash flows, for each of the three years in the period ended December 31, 2015

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 25, 2016

CVR Partners, LP

By: CVR GP, LLC, its general partner

By: /s/ Susan M. Ball

Susan M. Ball

Chief Financial Officer and Treasurer

INDEX TO EXHIBITS

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**East Dubuque Nitrogen Partners,
L.P. and Subsidiaries**
Consolidated Interim Financial Statements
March 31, 2016

EAST DUBUQUE NITROGEN PARTNERS, L.P.

CONSOLIDATED BALANCE SHEETS

	March 31, 2016	December 31, 2015
	(unaudited)	
	(in thousands)	
ASSETS		
Current assets:		
Cash	\$ 33,772	\$ 7,234
Accounts receivable	8,941	9,001
Inventories	14,652	10,358
Prepaid expenses and other current assets	2,036	2,264
Receivable for working capital adjustment on sale of Pasadena	4,638	—
Assets held for sale	—	36,652
Total current assets	64,039	65,509
Long-term assets:		
Property, plant, and equipment, net	146,437	150,268
Construction in progress	29,615	22,817
Assets held for sale	—	2,776
Total long-term assets	176,052	175,861
Total assets	\$ 240,091	\$ 241,370
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	\$ 6,048	\$ 7,007
Payable to general partner	3,019	4,228
Accrued liabilities	4,954	9,568
Deferred revenue	24,485	6,197
Accrued interest	9,947	4,650
Liabilities held for sale	—	21,821
Total current liabilities	48,453	53,471
Long-term liabilities:		
Debt	362,522	347,575
Other	901	1,001
Liabilities held for sale	—	5,589
Total long-term liabilities	363,423	354,165
Total liabilities	411,876	407,636
Commitments and contingencies (Note 10)		
Partners' Capital (Deficit):		
Common unitholders — 38,985 units issued and outstanding at both March 31, 2016 and December 31, 2015	(171,785)	(166,555)
Accumulated other comprehensive income of discontinued operations	—	289
General partner's interest	—	—
Total partners' (deficit)	(171,785)	(166,266)
Total liabilities and partners' capital	\$ 240,091	\$ 241,370

See accompanying notes to the consolidated financial statements.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	2016	2015
	(unaudited)	
	(in thousands)	
Revenues	\$ 34,848	\$ 36,752
Cost of sales	20,336	19,311
Gross profit	<u>14,512</u>	<u>17,441</u>
Operating expenses		
Selling, general and administrative expense	3,665	3,540
Other operating expense, net	84	65
Total operating expenses	<u>3,749</u>	<u>3,605</u>
Operating income	<u>10,763</u>	<u>13,836</u>
Other income (expense), net		
Interest expense	(5,568)	(5,028)
Other income (expense), net	15	(3)
Total other expenses, net	<u>(5,553)</u>	<u>(5,031)</u>
Income from continuing operations before income taxes	<u>5,210</u>	<u>8,805</u>
Income tax expense	—	15
Net income from continuing operations	<u>5,210</u>	<u>8,790</u>
Income (loss) from discontinued operations, net of tax	<u>(2,470)</u>	<u>163</u>
Net income	<u>\$ 2,740</u>	<u>\$ 8,953</u>

See accompanying notes to the consolidated financial statements.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31,	
	2016	2015
	(unaudited) (in thousands)	
Net income	\$ 2,740	\$ 8,953
Other comprehensive income, net of tax:		
Pension and postretirement plan adjustments of discontinued operations	—	4
Other comprehensive income	—	4
Total comprehensive income	\$ 2,740	\$ 8,957

See accompanying notes to the consolidated financial statements.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL (DEFICIT)

	Common Units		Accumulated Other Comprehensive Income/(Loss) (unaudited) (in thousands)	General Partner	Total Partners' Capital (Deficit)
	Issued	Amount			
Balance at December 31, 2015	38,985	\$ (166,555)	\$ 289	\$ —	\$ (166,266)
Cash distributions to common unitholders – Affiliates	—	(4,883)	—	—	(4,883)
Cash distributions to common unitholders – Non-affiliates	—	(3,338)	—	—	(3,338)
Unit-based compensation expense	—	251	—	—	251
Net income	—	2,740	—	—	2,740
Reduction to Pasadena unfunded pension and other postretirement benefits liability	—	—	(289)	—	(289)
Balance at March 31, 2016	38,985	\$ (171,785)	\$ —	\$ —	\$ (171,785)

See accompanying notes to the consolidated financial statements.

EAST DUBUQUE NITROGEN PARTNERS, L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2016	2015
	(unaudited)	
	(in thousands)	
Cash flows from operating activities		
Net income	\$ 2,740	\$ 8,953
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,232	5,143
Utilization of spare parts	1,210	1,098
Non-cash interest expense	324	305
Unit-based compensation	251	326
Loss on sale of subsidiary	1,972	—
Unrealized gain on gas derivatives	(1,466)	(2,580)
Other	46	75
Changes in operating assets and liabilities:		
Accounts receivable	(3,342)	847
Inventories	(5,618)	(10,510)
Prepaid expenses and other current assets	239	(2,707)
Other receivables	242	93
Accounts payable	(1,979)	(4,788)
Accrued liabilities, accrued payroll and other	(5,735)	2,756
Deferred revenue	22,833	18,475
Accrued interest	4,911	4,989
Net cash provided by operating activities	<u>20,860</u>	<u>22,475</u>
Cash flows from investing activities		
Capital expenditures	(11,075)	(10,363)
Proceeds from sale of subsidiary	1,794	—
Other items	(9)	4
Net cash used in investing activities	<u>(9,290)</u>	<u>(10,359)</u>
Cash flows from financing activities		
Proceeds from credit facilities	14,600	4,000
Distributions to common unitholders – affiliates	(4,883)	(6,975)
Distributions to common unitholders – non-affiliates	(3,338)	(4,763)
Net cash provided by (used in) financing activities	<u>6,379</u>	<u>(7,738)</u>
Increase in cash	17,949	4,378
Cash, beginning of period	15,823	28,028
Cash, end of period	33,772	32,406
Less: Cash, end of period, discontinued operations	—	1,264
Cash, end of period, continuing operations	<u>\$ 33,772</u>	<u>\$ 31,142</u>

Excluded from the consolidated statement of cash flows were the effects of certain non-cash investing and financing activities as follows:

	Three Months Ended March 31,	
	2016	2015
	(unaudited)	
Purchase of property, plant, equipment and construction in progress in accounts payable and accrued liabilities	\$ 4,596	\$ 3,134

See accompanying notes to the consolidated financial statements.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2016
(Unaudited)

(1) Description of the Business

The accompanying unaudited consolidated financial statements of East Dubuque Nitrogen Partners, L.P. (formerly known as Rentech Nitrogen Partners, L.P.) (the "Partnership") and its consolidated subsidiaries has been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, the unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair statement of the Partnership's financial position as of March 31, 2016 and 2015, and the results of operations and cash flows for the periods presented. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016 or any other reporting period.

The Partnership's assets consist primarily of all of the equity interests of East Dubuque Nitrogen Fertilizers, LLC (formerly known as Rentech Nitrogen, LLC), which owns a fertilizer facility in East Dubuque, Illinois ("EDNF" or the "East Dubuque Facility"). Prior to the sale discussed in Note 3 ("Sale of Pasadena Facility"), the Partnership also owned all of the equity interests of Rentech Nitrogen Pasadena, LLC, which owns a fertilizer facility in Pasadena, Texas (the "Pasadena Facility").

We were formed by Rentech, Inc. ("Rentech"). Prior to the Merger as defined and discussed in Note 4 ("Mergers"), Rentech Nitrogen Holdings, Inc. ("RNHI"), Rentech's indirect wholly-owned subsidiary, owned approximately 60% of the outstanding Partnership common units. East Dubuque Nitrogen GP, LLC (formerly known as Rentech Nitrogen GP, LLC) (the "General Partner"), formerly RNHI's wholly-owned subsidiary, owns 100% of the non-economic general partner interest in us.

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Pasadena Facility (Discontinued Operations) and East Dubuque Facility

Revenues are recognized when customers take ownership upon shipment from the East Dubuque Facility or the Pasadena Facility's distributors' facilities and (i) customer assumes risk of loss, (ii) there are no uncertainties regarding customer acceptance, (iii) collection of the related receivable is probable, (iv) persuasive evidence of a sale arrangement exists and (v) the sales price is fixed or determinable. Management assesses the business environment, the customer's financial condition, historical collection experience, accounts receivable aging and customer disputes to determine whether collectability is reasonably assured. If collectability is not considered reasonably assured at the time of sale, the Partnership does not recognize revenue until collection occurs.

Natural gas, though not typically purchased for the purpose of resale, is occasionally sold by the East Dubuque Facility when contracted quantities received are in excess of production and storage capacities, in which case the sales price is recorded in revenues and the related cost is recorded in cost of sales.

East Dubuque Contracts

EDNF had a distribution agreement (the "Distribution Agreement") with Agrium U.S.A., Inc. ("Agrium"). The Distribution Agreement was for a 10 year period, subject to renewal options. Pursuant to the Distribution Agreement, Agrium was obligated to use commercially reasonable efforts to promote the sale of, and solicit and secure orders from its customers for nitrogen fertilizer products

EAST DUBUQUE NITROGEN PARTNERS, L.P.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(unaudited)

manufactured at the East Dubuque Facility, and to purchase from EDNF nitrogen fertilizer products manufactured at the facility for prices to be negotiated in good faith from time to time. Under the Distribution Agreement, Agrium was appointed as the exclusive distributor for the sale, purchase and resale of nitrogen products manufactured at the East Dubuque Facility. Sale terms were negotiated and approved by EDNF. Agrium bore the credit risk on products sold through Agrium pursuant to the Distribution Agreement. If an agreement was not reached on the terms and conditions of any proposed Agrium sale transaction, EDNF had the right to sell to third parties provided the sale was on the same timetable and volumes and at a price not lower than the one proposed by Agrium. For the three months ended March 31, 2015, the Distribution Agreement accounted for 41% of net revenues from product sales for the East Dubuque Facility. Receivables from Agrium accounted for 50% and 44% of the total accounts receivable balance of the East Dubuque Facility as of March 31, 2016 and December 31, 2015, respectively. EDNF terminated the Distribution Agreement as of December 31, 2015. EDNF now sells directly to its customers.

EDNF negotiated sales with other customers and these transactions were not subject to the terms of the Distribution Agreement.

Under the Distribution Agreement, the East Dubuque Facility paid commissions to Agrium not to exceed \$5 million during each contract year on applicable gross sales during the first 10 years of the agreement. No commission expense was recorded in cost of sales for each of the three months ended March 31, 2016 and 2015.

Pasadena Contracts (Discontinued Operations)

We sold substantially all of our Pasadena Facility's products through marketing and distribution agreements. Pursuant to an exclusive marketing agreement we entered into with Interoceanic Corporation ("IOC"), IOC had the exclusive right and obligation to market and sell all of our Pasadena Facility's ammonium sulfate product. Under the marketing agreement, IOC was required to use commercially reasonable efforts to market the product to obtain the most advantageous price. We compensated IOC for transportation and storage costs relating to the ammonium sulfate product it marketed through the pricing structure under the marketing agreement. The marketing agreement had a term that would have ended December 31, 2016, but would have automatically renewed for subsequent one-year periods (unless either party delivered a termination notice to the other party at least 210 days prior to an automatic renewal). The marketing agreement may have been terminated prior to its stated term for specified causes. During the three months ended March 31, 2016, and 2015, the marketing agreement with IOC accounted for 75% or more of our Pasadena Facility's total revenues. In addition, we had an arrangement with IOC that permitted us to store approximately 60,000 tons of ammonium sulfate at IOC-controlled terminals, located near end customers of our Pasadena Facility's ammonium sulfate. This arrangement was not governed by a written contract.

Deferred Revenue

A significant portion of the revenue recognized during any period may be related to prepaid contracts, for which cash was collected during an earlier period, with the result that a significant portion of revenue recognized during a period may not generate cash receipts during that period. We record a liability for deferred revenue to the extent that payment has been received under prepaid contracts, which create obligations for delivery of product within a specified period of time in the future. The terms of these prepaid contracts require payment in advance of delivery. The Partnership recognizes revenue related to the prepaid contracts and relieves the liability for deferred revenue when products are shipped.

At the Pasadena Facility, IOC pre-pays a portion of the sales price for shipments received into its storage facilities. The Partnership recognizes revenue related to the prepaid contracts or products stored at IOC facilities and relieves the liability for deferred revenue when products are shipped (including shipments to end customers from IOC facilities). See "Note 3 - Sale of the Pasadena Facility" for deferred revenue associated with the Pasadena Facility.

Cost of Sales

Cost of sales are comprised of manufacturing costs related to the Partnership's fertilizer products. Cost of sales expenses include direct materials (such as natural gas), direct labor, indirect labor, employee fringe benefits, depreciation on plant machinery, electricity and other costs, including shipping and handling charges incurred to transport products sold.

The Partnership enters into short-term contracts to purchase physical supplies of natural gas in fixed quantities at both fixed and indexed prices. The Partnership anticipates that it will physically receive the contract quantities and use them in the production of fertilizer. The Partnership believes it is probable that the counterparties will fulfill their contractual obligations when executing these

EAST DUBUQUE NITROGEN PARTNERS, L.P.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(unaudited)

contracts. Natural gas purchases, including the cost of transportation to the East Dubuque Facility, are recorded at the point of delivery into the pipeline system.

Accounting for Derivative Instruments

Accounting guidance establishes accounting and reporting requirements for derivative instruments and hedging activities. This guidance requires recognition of all derivative instruments as assets or liabilities on the Partnership's consolidated balance sheets and measurement of those instruments at fair value. The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated as a hedge and if so, the type of hedge. The Partnership currently does not designate any of its derivatives as hedges for financial reporting purposes. Gains and losses on derivative instruments not designated as hedges are included in cost of product sales on our statement of operations and reported under cash flows from operating activities.

Cash

Cash and cash equivalents consist of cash on hand with original maturities of three months or less. The Partnership has checking accounts with major financial institutions. At times balances with these financial institutions may be in excess of federally insured limits.

Accounts and Other Receivables

Trade receivables are recorded at net realizable value. The allowance for doubtful accounts reflects the Partnership's best estimate of probable losses inherent in the accounts receivable balance. The Partnership determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. The Partnership reviews its allowance for doubtful accounts quarterly. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. No allowance has been recorded as of March 31, 2016 and December 31, 2015.

Inventories

Inventories consist of raw materials and finished goods. The primary raw material used by the East Dubuque Facility in the production of its nitrogen products is natural gas. Raw materials also include certain chemicals used in the manufacturing process. Finished goods include the products stored at each plant that are ready for shipment along with any inventory that may be stored at remote facilities.

Inventories are stated at the lower of cost or estimated net realizable value. The cost of inventories is determined using the first-in first-out method. The estimated net realizable value is based on customer orders, market trends and historical pricing. On at least a quarterly basis, the Partnership performs an analysis of its inventory balances to determine if the carrying amount of inventories exceeds its net realizable value. If the carrying amount exceeds the estimated net realizable value, the carrying amount is reduced to the estimated net realizable value. During turnarounds at the East Dubuque Facility, the Partnership allocates fixed production overhead costs to inventory based on the normal capacity of its production facilities and unallocated overhead costs are recognized as expense in the period incurred.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(unaudited)

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets, except for platinum catalyst, as follows:

Type of Asset	Estimated Useful Life
Building and building improvements	20 - 40 years
Land improvements	15 - 20 years
Machinery and equipment	7 - 10 years
Computer equipment and software	3 - 5 years
Ammonia catalyst	3 - 10 years
Platinum catalyst	Based on units of production

Expenditures during turnarounds or at other times for improving, replacing or adding to EDNF's assets are capitalized. Expenditures for the acquisition, construction or development of new assets to maintain EDNF's operating capacity, or to comply with environmental, health, safety or other regulations, are also capitalized. Costs of general maintenance and repairs are expensed.

When property, plant and equipment is retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operating expenses.

Spare parts are maintained to reduce the length of possible interruptions in plant operations from an infrastructure breakdown at the facility. The spare parts may be held for use for years before the spare parts are used. As a result, they are capitalized as a fixed asset at cost. When spare parts are utilized, the book values of the assets are charged to earnings as a cost of production. Periodically, the spare parts are evaluated for obsolescence and impairment and if the value of the spare parts is impaired, it is charged against earnings.

Long-lived assets and construction in progress are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the asset's fair value.

The Partnership capitalizes certain direct development costs associated with internal-use software, including external direct costs of material and services, and payroll costs for employees devoting time to software implementation projects. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

The Partnership has recorded asset retirement obligations ("AROs") related to future costs associated with the disposal of asbestos at the East Dubuque Facility. The fair value of a liability for an ARO is recorded in the period in which it is incurred and the cost of such liability increases the carrying amount of the related long-lived asset by the same amount. The liability is accreted each period through charges to operating expense and the capitalized cost is depreciated over the remaining useful life of the asset. The liability was \$0.5 million at March 31, 2016 and December 31, 2015. The ARO relating to the Pasadena Facility are included in discontinued operations. See "Note 3 - Sale of the Pasadena Facility."

Construction in Progress

We also capitalize costs for improvements to the existing machinery and equipment at our facilities and certain costs associated with our information technology initiatives. We do not depreciate construction in progress costs until the underlying assets are placed into service.

Income Taxes

We are not a taxable entity for federal income tax purposes. As such, we do not directly pay federal income tax. Our taxable income or loss, which may vary substantially from the net income or net loss we report in our consolidated statement of operations, is includable in the federal income tax returns of each partner. The aggregate difference in the basis of our net assets for financial and tax reporting purposes cannot be readily determined as we do not have access to information about each partner's tax attributes in us.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(unaudited)

Comprehensive Income (Loss)

Comprehensive income (loss) includes all changes in partners' capital during the period from non-owner sources. To date, accumulated other comprehensive income (loss) is comprised of adjustments to the defined benefit pension plans and the postretirement benefit plan of our discontinued operations.

Quarterly Distributions of Available Cash

Prior to the Merger discussed in "Note 4 – Merger", the Partnership's policy was generally to distribute all of the cash available for distribution that it generated each quarter, which could materially affect the Partnership's liquidity and limit its ability to grow. Cash distributions for each quarter was determined by the board of directors (the "Board") of the General Partner following the end of each quarter. Cash available for distribution for each quarter was generally calculated as the cash it generated during the quarter, less cash needed for maintenance capital expenditures not funded by capital proceeds, debt service and other contractual obligations, and any increases in cash reserves for future operating or capital needs that the Board deemed necessary or appropriate. Increases or decreases in such reserves may have been determined at any time by the Board of the General Partner as it considered, among other things, the cash flows or cash needs expected in approaching periods. The Partnership did not intend to maintain excess distribution coverage for the purpose of maintaining stability or growth in its quarterly distribution, nor did it intend to incur debt to pay quarterly distributions. As a result of its quarterly distributions, the Partnership's liquidity may have been significantly affected. However, the partnership agreement did not require it to pay cash distributions on a quarterly or other basis, and the Partnership could change its distribution policy at any time and from time to time. Any distributions made by the Partnership to its unitholders were done on a pro rata basis. Additionally, the Merger Agreement, as defined and discussed in Note 4 ("Mergers"), permitted the Partnership to make distributions of cash available for distribution calculated in accordance with the Merger Agreement, which generally required the calculation to be consistent with its historical practice.

Related Parties

Prior to the Merger discussed in "Note 4 – Merger", the Partnership, the General Partner and Rentech had entered into a services agreement, pursuant to which the Partnership and the General Partner obtained certain management and other services from Rentech. Under the services agreement, the Partnership, its subsidiaries and the General Partner were obligated to reimburse Rentech for (i) all costs, excluding share-based compensation, incurred by Rentech or its affiliates in connection with the employment of its employees who were seconded to the Partnership and who provided the Partnership services under the agreement on a full-time basis; (ii) a prorated share of costs, excluding share-based compensation, incurred by Rentech or its affiliates in connection with the employment of its employees, excluding seconded personnel, who provided the Partnership services under the agreement on a part-time basis, with such prorated share determined by Rentech on a commercially reasonable basis, based on the estimated percent of total working time that such personnel are engaged in performing services for the Partnership; (iii) a prorated share of certain administrative costs, in accordance with the agreement, including office costs, services by outside vendors, other general and administrative costs; and (iv) any taxes (other than income taxes, gross receipt taxes and similar taxes) incurred by Rentech or its affiliates for the services provided under the agreement. In accordance with the services agreement, Rentech billed the Partnership \$1.6 million and \$1.3 million for the three months ended March 31, 2016 and 2015, respectively.

Subsequent Events

Subsequent events have been evaluated through the date the financial statements were issued.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued guidance that will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. In August 2015, the FASB approved a one-year deferral of the effective date making the guidance effective for interim and annual reporting periods beginning after December 15, 2017. In addition, the FASB will continue to permit entities to early adopt the guidance for annual periods beginning on or after December 15, 2016. The Partnership is evaluating the provisions of this guidance and the potential impact, if any, on its consolidated financial position, results of operations and disclosures.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(unaudited)

In June 2014, the FASB issued guidance on accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. The Partnership does not expect the adoption of this guidance to have any impact on its consolidated financial position, results of operations or disclosures.

In August 2014, the FASB issued guidance on presentation of financial statements – going concern, which applies to all companies. It requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. This guidance is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The Partnership is evaluating the provisions of this guidance and the potential impact, if any, on its consolidated financial position, results of operations and disclosures.

In January 2015, the FASB issued guidance, which eliminates the concept of extraordinary items. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Partnership does not expect the adoption of this guidance to have any impact on its consolidated financial position, results of operations or disclosures.

In April 2015, the FASB issued guidance that will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The Partnership does not expect the adoption of this guidance to have any impact on its consolidated financial position, results of operations or disclosures.

In July 2015, the FASB issued guidance that replaces the current lower of cost or market method of measurement for inventory with a lower of cost and net realizable value measurement. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The Partnership does not expect the adoption of this guidance to have a material impact on its consolidated financial position, results of operations or disclosures.

In February 2016, the FASB issued an update to its guidance on lease accounting. This update revises accounting for operating leases by a lessee, among other changes, and requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the balance sheet. The distinction between finance and operating leases has not changed and the update does not significantly change the effect of finance and operating leases on the statement of operations. The new guidance is effective for the first interim and annual periods beginning after December 15, 2018, with early adoption permitted. At adoption, this update will be applied using a modified retrospective approach. The Partnership is currently assessing the impact of adoption of this standard on our consolidated financial statements.

(3) Sale of Pasadena Facility

On March 14, 2016, the Partnership completed the sale of Rentech Nitrogen Pasadena Holdings, LLC ("Pasadena Holdings"), which owned 100% of Rentech Nitrogen Pasadena, LLC (together with Pasadena Holdings, the "Pasadena Entities"), which in turn owned and operated the Pasadena Facility, to Pasadena Commodities International, LLC, an affiliate of IOC. In connection with the sale of Pasadena Holdings, the Pasadena Entities assumed all liabilities, including, without limitation, environmental liabilities, taxes and liabilities relating to employee benefit plans to the extent related to the operation or ownership of the Pasadena Facility and its underlying business. The transaction resulted in an initial cash payment to the Partnership of \$5.0 million, approximately \$0.2 million of which was in escrow and recorded in prepaid expenses and other current assets on the consolidated balance sheet as of March 31, 2016. The purchase agreement also includes a cash working capital adjustment, which is estimated to be an approximate \$4.6 million cash payment to the Partnership, after confirmation of the amount within ninety days of the closing of the transaction. The final working capital adjustment could differ from this estimate. The purchase agreement also includes a milestone payment, which would be paid the Partnership's unitholders of record at the close of business on March 28, 2016, equal to 50% of the facility's EBITDA, as defined in the purchase agreement and subject to other conditions in the purchase agreement, in excess of \$8.0 million cumulatively earned over the next two years. The Partnership did not include the earn-out in the loss on sale calculation as it represents a gain contingency.

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The following table summarizes the loss on sale of the Pasadena Facility (in thousands):

Cash consideration	\$	5,000
Estimated working capital adjustment		4,638
Carrying value of the Pasadena Facility net assets on the date of sale		(11,610)
Loss on sale of the Pasadena Facility	\$	(1,972)

On March 31, 2016, the Partnership paid a cash distribution of \$0.11 per unit to unitholders of record at the close on business on March 28, 2016, representing a distribution of the \$5.0 million initial cash receipt for the sale of the Pasadena Facility, net of transaction-related fees of approximately \$0.7 million.

The distribution of the cash working capital adjustment, the milestone payment and any other additional cash payments if and to the extent made by IOC relating to the purchase of the Pasadena Facility, and subject to reduction for certain expenses, will be made to the Partnership's unitholders of record at the close of business on March 28, 2016, within a reasonable time shortly after receiving such cash payments. The Board of the General Partner approved the issuance of purchase price adjustment rights representing the right to receive these additional cash payments, if and to the extent made, for each (i) Partnership common unit held by each holder of record of partnership common units as of immediately prior to the effective time of the Merger (defined below) and (ii) phantom unit outstanding under the Partnership's 2011 Long-Term Incentive Plan (the "LTIP") as of immediately prior to the effective time of the Merger that contains an effective distribution equivalent right (as defined in the LTIP), to be issued to the applicable holder of such phantom unit.

Discontinued Operations

The sale of the Pasadena Facility represents a strategic shift that will have a major effect on the Partnership's operations and financial results. As a result of the sale, the Partnership has classified its consolidated balance sheets and consolidated statements of operations for all periods presented in these financial statements to reflect the Pasadena Facility as discontinued operations. The cash flows of discontinued operations are separately summarized below as operating or investing activities. All discussions and amounts in the consolidated financial statements and related notes for all periods presented relate to continuing operations only, unless otherwise noted.

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The following table summarizes the components of assets and liabilities of discontinued operations:

	As of December 31, 2015
	(Unaudited)
	(in thousands)
Cash	\$ 8,589
Accounts receivable	2,450
Inventories	21,758
Prepaid expenses and other current assets	3,855
Current assets held for sale	36,652
Property, plant and equipment, net	1,810
Construction in progress	895
Other long-term assets	71
Long-term assets held for sale	2,776
Total assets held for sale	\$ 39,428
Accounts payable	\$ 5,014
Payable to general partner	377
Accrued liabilities	5,644
Deferred revenue	10,786
Current liabilities held for sale	21,821
Asset retirement obligation	4,048
Other long-term liabilities	1,541
Long-term liabilities held for sale	5,589
Total liabilities held for sale	\$ 27,410

The following table summarizes the results of discontinued operations:

	Three Months Ended March 31,	
	2016	2015
	(Unaudited)	
	(in thousands)	
Revenues	\$ 19,499	\$ 32,422
Cost of sales	18,358	31,080
Gross profit	1,141	1,342
Operating expenses		
Loss on sale of subsidiary	1,972	—
Other operating expenses	1,615	1,156
Total operating expenses	3,587	1,156
Operating (loss) income	(2,446)	186
Other income, net	2	—
Loss before income taxes	(2,444)	186
Income tax expense	26	23
(Loss) income from discontinued operations, net of tax	\$ (2,470)	\$ 163

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During the three months ended March 31, 2016, the Partnership incurred \$1.1 million of transaction expenses related to the sale of the Pasadena Facility and are included in loss from discontinued operations.

The following table summarizes the cash flows of discontinued operations:

	Three Months Ended March 31,	
	2016	2015
	(Unaudited)	
	(in thousands)	
Net cash (used in) provided by operating activities from discontinued operations	\$ (4,227)	\$ 1,155
Net cash used in investing activities from discontinued operations	(4,362)	(3,390)
Net cash used in discontinued operations	\$ (8,589)	\$ (2,235)

(4) Mergers

On April 1, 2016, the Partnership completed the transactions contemplated by the Agreement and Plan of Merger, dated as of August 9, 2015 (the "Merger Agreement") under which the Partnership and the General Partner merged with subsidiaries of CVR Partners, LP ("CVR Partners"), and the Partnership ceased to be a public company and became a subsidiary of CVR Partners (the "Merger").

Under the terms of the Merger Agreement, holders of the Partnership's common units eligible to receive consideration received 1.04 common units representing limited partner interests in CVR Partners and \$2.57 in cash, without interest, for each Partnership common unit (the "merger consideration").

Phantom units granted and outstanding under the Partnership's equity plans and held by an employee who continued in the employment of a CVR Partners-affiliated entity upon closing of the Merger were canceled and replaced with new incentive awards of substantially equivalent value and on similar terms. Each phantom unit granted and outstanding and held by (i) an employee who did not continue in employment of a CVR Partners-affiliated entity, or (ii) a director of the General Partner, upon closing of the Merger, vested in full and the holders thereof received the merger consideration.

Merger-related transaction expenses for the three months ended March 31, 2016 were \$0.7 million and are included in selling, general and administrative expenses. There were no Merger-related transaction expenses for the three months ended March 31, 2015.

(5) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and is classified in one of the following three categories:

- *Level 1* — Consists of unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access as of the reporting date.
- *Level 2* — Consists of inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- *Level 3* — Consists of unobservable inputs for assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost-benefit constraints.

Fair values of cash, receivables, deposits, other current assets, accounts payable, accrued liabilities and other current liabilities were assumed to approximate carrying value since they are short term and can be settled on demand.

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The following table presents the fair value and carrying value of the Partnership's borrowings as of March 31, 2016.

	Fair Value			Carrying Value
	Level 1	Level 2	Level 3	
	(in thousands)			
Liabilities				
Second Lien Notes	\$ 318,400	\$ —	\$ —	\$ 314,221
Wells Fargo Credit Agreement	—	49,100	—	48,301

The following table presents the fair value and carrying value of the Partnership's borrowings as of December 31, 2015.

	Fair Value			Carrying Value
	Level 1	Level 2	Level 3	
	(in thousands)			
Liabilities				
Second Lien Notes	\$ 310,400	\$ —	\$ —	\$ 313,934
Wells Fargo Credit Agreement	—	34,500	—	33,641

Second Lien Notes

The \$320.0 million of 6.5% second lien senior secured notes due 2021 (the "Second Lien Notes") are deemed to be Level 1 financial instruments because there was an active market for such debt. The fair value of such debt was determined based on market prices.

Wells Fargo Credit Agreement

On March 1, 2016, Wells Fargo Bank, N.A. acquired our \$50 million senior secured revolving credit facility (the "Wells Fargo Credit Agreement") from General Electric Capital Corporation. The Wells Fargo Credit Agreement is deemed to be a Level 2 financial instrument because the measurement is based on observable market data. It is concluded that the carrying value of the Wells Fargo Credit Agreement, which is reported net of debt issuance costs, approximates the fair value of such loan as of March 31, 2016 and December 31, 2015 based on its floating interest rate and the Company's assessment that the fixed-rate margin is still at market.

The levels within the fair value hierarchy at which the Partnership's financial instruments have been evaluated have not changed for any of the Partnership's financial instruments during the three months ended March 31, 2016 and 2015.

(6) Derivative Instruments

Accounting guidance establishes accounting and reporting requirements for derivative instruments and hedging activities. This guidance requires recognition of all derivative instruments as assets or liabilities on the Partnership's consolidated balance sheets and measurement of those instruments at fair value. The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated as a hedge and if so, the type of hedge. The Partnership currently does not designate any of its derivatives as hedges for financial reporting purposes. Gains and losses on derivative instruments not designated as hedges are included in earnings and reported under cash flows from operating activities.

Forward Natural Gas Contracts

The Partnership uses commodity-based derivatives to minimize its exposure to the fluctuations in natural gas prices. The Partnership recognizes the unrealized gains or losses related to the commodity-based derivative instruments in its consolidated financial statements. The Partnership does not have any master netting agreements or collateral relating to these derivatives.

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Our East Dubuque Facility enters into forward natural gas purchase contracts to reduce its exposure to the fluctuations in natural gas prices. The forward natural gas contracts are deemed to be Level 2 financial instruments because the measurement is based on observable market data. The fair value of such contracts had been determined based on market prices. Gain or loss associated with forward natural gas contracts is recorded in cost of sales on the consolidated statements of income. The amount of unrealized gain recorded was \$1.5 million and \$2.6 million for the three months ended March 31, 2016 and 2015, respectively. These forward natural gas contracts are recorded in prepaid expenses and other current assets and accrued liabilities on the consolidated balance sheets.

	March 31, 2016		December 31, 2015	
	Current Assets	Current Liabilities	Current Liabilities	
	(in thousands)			
Forward natural gas contracts:				
Gross amounts recognized	\$ 74	\$ (125)	\$	(1,517)
Gross amounts offset in consolidated balance sheets	—	—	—	—
Net amounts presented in the consolidated balance sheets	\$ 74	\$ (125)	\$	(1,517)

The following table presents the financial instruments that were accounted for at fair value by level as of March 31, 2016 and December 31, 2015.

	Level 1	Level 2		Level 3
	(in thousands)			
Liabilities				
Forward gas contracts – March 31, 2016	\$ —	\$ 51	\$	—
Forward gas contracts – December 31, 2015	—	1,517	—	—

(7) Inventories

Inventories consisted of the following:

	March 31, 2016		December 31, 2015	
	(in thousands)			
Finished goods	\$ 14,110	\$	9,701	\$
Raw materials	381	430	227	161
Other	161	227	14,652	10,358
Total inventory	\$ 14,652	\$	10,358	\$

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(8) Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	March 31, 2016	December 31, 2015
(in thousands)		
Land and land improvements	\$ 2,272	\$ 2,272
Buildings and building improvements	12,035	11,975
Machinery and equipment	228,838	228,028
Computer equipment and computer software	3,277	3,049
Other	532	532
	<u>246,954</u>	<u>245,856</u>
Less: Accumulated depreciation	(100,517)	(95,588)
Total property, plant and equipment, net	<u>\$ 146,437</u>	<u>\$ 150,268</u>

The construction in progress balance at March 31, 2016 was \$29.6 million, which includes \$1.1 million of capitalized interest costs. The construction in progress balance at December 31, 2015 was \$22.8 million, which includes \$0.7 million of capitalized interest costs. The construction in progress balance as of both March 31, 2016 and December 31, 2015 primarily consists of the costs associated with the ammonia synthesis converter project.

(9) Debt

Debt consists of the following:

	March 31, 2016	December 31, 2015
(in thousands)		
Second Lien Notes	\$ 320,000	\$ 320,000
Wells Fargo Credit Agreement	49,100	34,500
Total debt	<u>369,100</u>	<u>354,500</u>
Less: Debt issuance costs	(6,578)	(6,925)
Less: Current portion	—	—
Long-term debt	<u>\$ 362,522</u>	<u>\$ 347,575</u>

Notes Offering

On April 12, 2013, the Partnership and East Dubuque Finance Corporation (formerly known as Rentech Nitrogen Finance Corporation) (the "Finance Corporation" and together with the Partnership, the "Issuers") issued \$320.0 million of 6.5% second lien senior secured notes due 2021. The Second Lien Notes bear interest at a rate of 6.5% per year, payable semi-annually in arrears on April 15 and October 15 of each year. The Second Lien Notes will mature on April 15, 2021, unless repurchased or redeemed earlier in accordance with their terms.

On April 29, 2016, the Partnership commenced a cash tender offer (the "Tender Offer") to purchase any and all of the outstanding Second Lien Notes. In connection with the Tender Offer, the Partnership is soliciting consents to certain proposed amendments (the "Consent Solicitation") to the indenture governing the Second Lien Notes (the "Indenture"). Holders that validly tender their Second Lien Notes pursuant to the Tender Offer and deliver their consents pursuant to the Consent Solicitation (and who do not validly withdraw their tender and consents) on or before 5:00 p.m., New York City time on May 12, 2016 (as such date and time may be extended, the "Early Tender Date") will receive \$1,015 per \$1,000 in principal amount of the Second Lien Notes. Holders who validly tender their Second Lien Notes and provide their consents after the Early Tender Date but on or before 5:00 p.m., New York City time on May 27, 2016, unless extended or earlier terminated, will receive an amount equal to \$985 per \$1,000 in principal

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amount. Holders whose Second Lien Notes are purchased under the Tender Offer will also receive accrued and unpaid interest up to the settlement date.

The primary purpose of the Consent Solicitation is to eliminate or modify substantially all of the restrictive covenants relating to the Partnership and its subsidiaries, eliminate all events of default other than failure to pay principal, premium or interest on the Second Lien Notes, eliminate all conditions to satisfaction and discharge, and release the liens on the collateral securing the Second Lien Notes. Holders may not tender their Second Lien Notes in the Tender Offer without delivering their consents under the Consent Solicitation, and holders may not deliver their consents under the Consent Solicitation without tendering their Second Lien Notes pursuant to the Tender Offer. The amendments to the Indenture contemplated by the Consent Solicitation will not become operative unless at least a majority of the aggregate principal amount of the Second Lien Notes (excluding consents from the Partnership and its affiliates) validly participate in (and do not validly withdraw) the Consent Solicitation; provided 66 2/3% of the aggregate principal amount of the Second Lien Notes (excluding consents from the Partnership and its affiliates) must validly participate in the Consent Solicitation to release the collateral securing the Second Lien Notes.

Concurrently with, but separately from the Tender Offer, the Partnership also commenced an offer to purchase all of the outstanding Second Lien Notes at a price equal to 101% of the principal amount thereof (the "Change of Control Offer"), as required as a result of the Merger. Holders who validly tender their Second Lien Notes prior to 5:00 p.m., New York City time on June 28, 2016, will receive \$1,010 for each \$1,000 in principal amount. Holders whose Second Lien Notes are purchased under the Change of Control Offer will also receive accrued and unpaid interest up to the settlement date.

On May 12, 2016, the Partnership had received tenders and consents from holders of \$315,245,000 in aggregate principal amount of the Second Lien Notes, representing approximately 98.5% of the total outstanding principal amount of the Second Lien Notes. The Partnership received the requisite consents in respect of the Second Lien Notes in connection with the Consent Solicitation to amend the Indenture as described above (the "Proposed Amendments"). As a result, the Partnership may execute a supplemental indenture relating to the Second Lien Notes promptly after the withdrawal deadline setting forth the Proposed Amendments. The Proposed Amendments will become operative upon payment for the tendered Second Lien Notes pursuant to the terms of the Tender Offer and Consent Solicitation.

The Second Lien Notes that remain outstanding following the consummation of the Tender Offer and the Change of Control Offer will continue to be obligations of the Issuers. The Second Lien Notes are fully and unconditionally guaranteed, jointly and severally, by each of the Partnership's existing domestic subsidiaries, other than the Finance Corporation. In addition, the Second Lien Notes and the guarantees thereof are collateralized by a second priority lien on substantially all of the Partnership's and the guarantor's assets, excluding any assets of Coffeyville Resources Nitrogen Fertilizers, LLC and subject to permitted liens.

The Indenture prohibits the Partnership from making distributions if certain defaults exist. In addition, the Indenture contains covenants limiting the Partnership's ability to make distributions. The covenants apply differently depending on the Partnership's fixed charge coverage ratio (as defined in the Indenture). As of March 31, 2016, the Partnership was in compliance with the covenants contained in the Indenture.

Wells Fargo Credit Agreement

On July 22, 2014, the Partnership replaced the Credit Agreement by entering into a new credit agreement by and among the Partnership and Finance Corporation as borrowers (the "Borrowers"), certain subsidiaries of the Partnership, as guarantors, General Electric Capital Corporation, for itself as agent for the lenders party thereto, the other financial institutions party thereto, and GE Capital Markets, Inc., as sole lead arranger and bookrunner.

On March 1, 2016, Wells Fargo Bank, N.A. acquired our new credit agreement (the "Wells Fargo Credit Agreement") from General Electric Capital Corporation.

The Wells Fargo Credit Agreement consists of a \$50.0 million senior secured revolving credit facility with a \$10.0 million letter of credit sublimit. At March 31, 2016, a letter of credit had been issued, but not drawn upon, in the amount of \$1.4 million. The Wells Fargo Credit Agreement was used to fund growth projects, working capital needs, letters of credit and for other general partnership purposes.

Borrowings under the Wells Fargo Credit Agreement bear interest at a rate equal to an applicable margin plus, at the Borrowers' option, either (a) in the case of base rate borrowings, a rate equal to the highest of (1) the prime rate, (2) the federal funds rate plus 0.5% or (3) LIBOR for an interest period of one month plus 1.00% or (b) in the case of LIBOR borrowings, the offered rate per annum for deposits of dollars for the applicable interest period on the day that is two business days prior to the first day of such interest

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period. The applicable margin for borrowings under the Wells Fargo Credit Agreement is 2.25% with respect to base rate borrowings and 3.25% with respect to LIBOR borrowings.

The Borrowers are required to pay a fee to the lenders under the Wells Fargo Credit Agreement on the average undrawn available portion of the Wells Fargo Credit Agreement at a rate equal to 0.50% per annum. If letters of credit are issued, the Borrowers will also pay a fee to the lenders under the Wells Fargo Credit Agreement at a rate equal to the product of the average daily undrawn face amount of all letters of credit issued, guaranteed or supported by risk participation agreements multiplied by a per annum rate equal to the applicable margin with respect to LIBOR borrowings. The Borrowers are also required to pay customary letter of credit fees on issued letters of credit. In the event the Borrowers reduce or terminate the commitments under the Wells Fargo Credit Agreement on or prior to the 18-month anniversary of the closing date, the Borrowers shall pay a prepayment fee equal to 1.0% of the amount of the commitment reduction.

The Wells Fargo Credit Agreement was scheduled to expire on July 22, 2019.

The obligations under the Wells Fargo Credit Agreement and the subsidiary guarantees thereof are secured by the same collateral securing the Second Lien Notes, which includes substantially all the assets of the Partnership and its subsidiaries. After the occurrence and during the continuation of an event of default, proceeds of any collection, sale, foreclosure or other realization upon any collateral will be applied to repay obligations under the Wells Fargo Credit Agreement and the subsidiary guarantees thereof to the extent secured by the collateral before any such proceeds are applied to repay obligations under the Second Lien Notes.

The Wells Fargo Credit Agreement contains a number of customary representations and warranties, affirmative and negative covenants and events of default. The covenants include, among other things, compliance with environmental laws, limitations on the incurrence of indebtedness and liens, the making of investments, the sale of assets and the making of restricted payments. In the event that less than 30% of the commitment amount is available for borrowing on any distribution date, in order to make a distribution on such date (a) the Partnership must maintain a first lien leverage ratio no greater than 1.0 to 1.0 and (b) the sum of (i) the undrawn amount under the Wells Fargo Credit Agreement and (ii) cash maintained by the Partnership and its subsidiaries in collateral deposit accounts must be at least \$5 million, in each case on a pro forma basis. In addition, before the Partnership can make distributions, there cannot be any default under the Wells Fargo Credit Agreement. The Wells Fargo Credit Agreement also contains a requirement that the Partnership maintain a first lien leverage ratio not to exceed 1.0 to 1.0 (a) at the end of each fiscal quarter where less than 30% of the commitment amount is available for drawing under the Wells Fargo Credit Agreement or (b) a default has occurred and is continuing. As of March 31, 2016, the Partnership was in compliance with all covenants under the Second Lien Notes and the Wells Fargo Credit Agreement.

In connection with the closing of the Merger, CVR Partners and its affiliates contributed \$49.4 million to the Partnership, which was used to pay off the outstanding balance of the Wells Fargo Credit Agreement, including accrued interest and fees, and the Wells Fargo Credit Agreement was canceled.

(10) Commitments and Contingencies

Natural Gas Forward Purchase Contracts

The Partnership's policy and practice are to enter into fixed-price forward purchase contracts for natural gas in conjunction with contracted nitrogen fertilizer product sales in order to substantially fix gross margin on those product sales contracts. The Partnership may also enter into a limited amount of additional fixed-price forward purchase contracts for natural gas in order to reduce monthly and seasonal gas price volatility. The Partnership occasionally enters into index-price contracts for the purchase of natural gas. The Partnership has entered into multiple natural gas forward purchase contracts for various delivery dates through August 31, 2016.

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Commitments for natural gas purchases consist of the following:

	March 31, 2016	December 31, 2015
	(in thousands, except weighted average rate)	
MMBtus under fixed-price contracts	915	2,580
MMBtus under index-price contracts	—	—
Total MMBtus under contracts	915	2,580
Commitments to purchase natural gas	\$ 1,770	\$ 8,131
Weighted average rate per MMBtu based on the fixed rates and the indexes applicable to each contract	\$ 1.93	\$ 3.15

As of March 31, 2016, deposits against these forward gas contracts were \$0.2 million. The Partnership is required to make additional prepayments under these forward purchase contracts in the event that market prices fall below the purchase prices in the contracts.

Litigation Relating to the Merger Transaction

On August 29, 2015, Mike Mustard, a purported unitholder of the Partnership, filed a class action complaint on behalf of the public unitholders of the Partnership against the Partnership, the General Partner, Rentech Nitrogen Holdings, Inc., Rentech, CVR Partners, DSHC, LLC, Lux Merger Sub 1 LLC ("Merger Sub 1") and Lux Merger Sub 2 LLC ("Merger Sub 2"), and the members of the General Partner's board of directors, in the Court of Chancery of the State of Delaware (the "Mustard Lawsuit"). On October 6, 2015, Jesse Sloan, a purported unitholder of the Partnership, filed a class action complaint on behalf of the public unitholders of the Partnership against the Partnership, the General Partner, CVR Partners, Merger Sub 1, Merger Sub 2 and members of the General Partner's board of directors in the U.S. District Court for the Northern District of California (the "Sloan Lawsuit" and together with the Mustard Lawsuit, the "Lawsuits").

The Lawsuits allege, among other things, that the consideration offered by CVR Partners is unfair and inadequate and that, by pursuing the proposed transaction with CVR Partners, the Partnership's directors have breached their contractual and fiduciary duties to the Partnership's unitholders. The Lawsuits also allege that the non-director defendants aided and abetted the director defendants in their purported breach of contractual and fiduciary duties. Furthermore, the Sloan Lawsuit alleges that the registration statement filed with the SEC with respect to the transaction fails to disclose material information leading up to the Merger, fails to disclose or contains misleading disclosures concerning Morgan Stanley & Co. LLC's financial analyses and fails to disclose or contains misleading disclosure concerning financial projections.

On February 1, 2016, plaintiffs and defendants entered into a memorandum of understanding ("MOU") providing for the proposed settlement of the lawsuits. While the defendants believe that no supplemental disclosure is required under applicable laws, in order to avoid the burden and expense of further litigation, they have agreed to make, pursuant to the terms of the MOU, and have made certain supplemental disclosures related to the Merger, all of which were disclosed in a Form 8-K filed by the Partnership with the SEC on February 2, 2016. The MOU contemplates that the parties will enter into a stipulation of settlement. The stipulation of settlement will be subject to customary conditions, including court approval following notice to the Partnership's unitholders. In the event that the parties enter into a stipulation of settlement, a hearing will be scheduled at which the United States District Court for the Central District of California (the "Court") will consider the fairness, reasonableness and adequacy of the proposed settlement. If the proposed settlement is finally approved by the Court, it will resolve and release all claims by unitholders of the Partnership challenging any aspect of the Merger, the merger agreement and any disclosure made in connection therewith, including in the definitive proxy statement, pursuant to terms that will be disclosed to such unitholders prior to final approval of the proposed settlement. In addition, in connection with the proposed settlement, the parties contemplate that plaintiffs' counsel will file a petition in the Court for an award of attorneys' fees and expenses to be paid by the Partnership or its successor. There can be no assurance that the Court will approve the proposed settlement contemplated by the MOU. In the event that the proposed settlement is not approved and such conditions are not satisfied, the defendants will continue to vigorously defend against the allegations in the lawsuits.

Regulation

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The Partnership's business is subject to extensive and frequently changing federal, state and local, environmental, health and safety regulations governing a wide range of matters, including the emission of air pollutants, the release of hazardous substances into the environment, the treatment and discharge of waste water and the storage, handling, use and transportation of the Partnership's fertilizer products, raw materials, and other substances that are part of our operations. These laws include the Clean Air Act (the "CAA"), the federal Water Pollution Control Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Toxic Substances Control Act, and various other federal, state and local laws and regulations. The laws and regulations to which the Partnership is subject are complex, change frequently and have tended to become more stringent over time. The ultimate impact on the Partnership's business of complying with existing laws and regulations is not always clearly known or determinable due in part to the fact that the Partnership's operations may change over time and certain implementing regulations for laws, such as the CAA, have not yet been finalized, are under governmental or judicial review or are being revised. These laws and regulations could result in increased capital, operating and compliance costs.

(11) Partners' Capital and Partnership Distributions

Prior to the Merger discussed in Note 4 ("Mergers"), the Partnership's policy was to distribute to its unitholders all of the cash available for distribution that it generated each quarter, subject to a determination by the Board of the General Partner that the Partnership's projected liquidity was adequate to provide for its forecasted operating and working capital needs. Cash available for distribution for each quarter was determined by the Board of the General Partner following the end of each quarter. The Partnership expected that cash available for distribution for each quarter would generally be calculated as the cash it generated during the quarter, less cash needed for maintenance capital expenditures not funded by capital proceeds, debt service and other contractual obligations, and any increases in cash reserves for future operating or capital needs that the Board of the General Partner deemed necessary or appropriate. Increases or decreases in such reserves may have been determined at any time by the Board of the General Partner as it considered, among other things, the cash flows or cash needs expected in approaching periods. The Partnership did not intend to maintain excess distribution coverage for the purpose of maintaining stability or growth in its quarterly distribution, nor did it intend to incur debt to pay quarterly distributions. The Partnership had no legal obligation to pay distributions. Distributions were not required by the Partnership's partnership agreement and the Partnership's distribution policy was subject to change at any time at the discretion of the Board of the General Partner. Any distributions made by the Partnership to its unitholders was done on a pro rata basis.

Each phantom unit entitled the holder to payments in amounts equal to the amounts of any distributions made to an outstanding unit by the Partnership. Payments to outstanding phantom units were not subtracted from operating cash flow in the calculation of cash available for distribution, but the payments made to phantom unitholders are recorded as distributions for accounting purposes. At March 31, 2016, the Partnership had 169,236 unit-settled phantom units outstanding. See Note 4 ("Mergers") for discussion of the phantom unit treatment upon consummation of the Merger.

First Quarter 2015 Cash Distribution

On February 12, 2015, the Partnership announced a cash distribution to its common unitholders for the fourth quarter of 2014 of \$0.30 per common unit, which resulted in total distributions in the amount of \$11.7 million, including approximately \$7.0 million to affiliates and approximately \$4.8 million to non-affiliates (including payments to phantom unitholders). This cash distribution was paid during the first quarter of 2015.

Second Quarter 2015 Cash Distribution

On May 11, 2015, the Partnership announced a cash distribution to its common unitholders for the first quarter of 2015 of \$0.36 per common unit, which resulted in total distributions in the amount of \$14.1 million, including approximately \$8.4 million to affiliates and approximately \$5.7 million to non-affiliates (including payments to phantom unitholders). This cash distribution was paid during the second quarter of 2015.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2016

(unaudited)

First Quarter 2016 Cash Distributions

Cash distributions for the three months ended March 31, 2016, included \$0.10 cents per common unit related to the fourth quarter of 2015, as well as \$0.11 per common unit for the net proceeds received from the Pasadena sale.

On February 15, 2016, the Partnership announced a cash distribution to its common unitholders for the fourth quarter of 2015 of \$0.10 per common unit, which resulted in total distributions in the amount of \$3.9 million, including approximately \$2.3 million to affiliates and approximately \$1.6 million to non-affiliates (including payments to phantom unitholders). The cash distribution was paid on February 29, 2016 to unitholders of record at the close of business on February 25, 2016.

The Partnership also declared a cash distribution to its common unitholders of \$4.3 million, or \$0.11 per common unit, from the net proceeds received from the sale of the Pasadena Facility. This cash distribution was paid on March 31, 2016 to unitholders on of record at the close of business on March 28, 2016, including \$2.6 million to affiliates and \$1.7 million to non-affiliates (including payments to phantom unitholders).

(12) Income Taxes

The Partnership and its subsidiary are not directly subject to federal and state income taxes. Instead, their taxable income or loss is allocated to their individual partners or members. However, the Partnership and its subsidiary are subject to an Illinois replacement tax and California annual minimum franchise tax. For the three months ended March 31, 2016 and 2015, Illinois replacement tax of approximately \$0 and \$14,000, respectively, was recorded. At both March 31, 2016 and December 31, 2015, there is a prepaid state taxes amount to the state of Illinois of \$0.2 million included in prepaid expenses and other current assets.

**East Dubuque Nitrogen Partners,
L.P. and Subsidiaries**
Consolidated Financial Statements
December 31, 2015

East Dubuque Nitrogen Partners, L.P. and Subsidiaries
Index
December 31, 2015

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Independent Auditor's Report

To the Management of East Dubuque Nitrogen Partners, L.P. (formerly known as Rentech Nitrogen Partners, L.P.) and Board of Directors of East Dubuque Nitrogen GP, LLC (formerly known as Rentech Nitrogen GP, LLC)

We have audited the accompanying consolidated financial statements of East Dubuque Nitrogen Partners, L.P. and its subsidiaries (the "Partnership"), which comprise the consolidated balance sheets as of December 31, 2015 and December 31, 2014, and the related consolidated statements of operations, comprehensive income (loss), partners' capital (deficit) and cash flows, for each of the three years in the period ended December 31, 2015.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of East Dubuque Nitrogen Partners, L.P. and its subsidiaries as of December 31, 2015 and December 31, 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Los Angeles, California

March 15, 2016, except for the effects of discontinued operations discussed in Note 4 and subsequent events discussed in Note 15 as to which the date is May 20, 2016

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EAST DUBUQUE NITROGEN PARTNERS, L.P.
Consolidated Balance Sheets
(Amounts in thousands)

	As of December 31,	
	2015	2014
ASSETS		
Current assets		
Cash	\$ 7,234	\$ 24,529
Accounts receivable	9,001	6,534
Inventories	10,358	12,539
Prepaid expenses and other current assets	2,264	2,437
Assets held for sale	36,652	31,738
Total current assets	65,509	77,777
Long-term assets		
Property, plant and equipment, net	150,268	151,057
Construction in progress	22,817	15,010
Other assets	—	158
Assets held for sale	2,776	161,999
Total long-term assets	175,861	328,224
Total assets	\$ 241,370	\$ 406,001
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable	\$ 7,007	\$ 7,552
Payable to general partner	4,228	2,720
Accrued liabilities	9,568	8,942
Deferred revenue	6,197	19,279
Accrued interest	4,650	4,494
Liabilities held for sale	21,821	20,291
Total current liabilities	53,471	63,278
Long-term liabilities		
Debt	347,575	326,685
Other	1,001	1,737
Liabilities held for sale	5,589	5,410
Total long-term liabilities	354,165	333,832
Total liabilities	407,636	397,110
Commitments and contingencies (Note 10)		
Partners' capital (deficit)		
Common unitholders: 38,985 and 38,913 units issued and outstanding at December 31, 2015 and 2014, respectively	(166,555)	8,886
Accumulated other comprehensive income of discontinued operations	289	5
General partner's interest	—	—
Total partners' (deficit) capital	(166,266)	8,891
Total liabilities and partners' capital (deficit)	\$ 241,370	\$ 406,001

See Accompanying Notes to Consolidated Financial Statements.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
Consolidated Statements of Operations
(Amounts in thousands, except per unit data)

	For the Years Ended December 31,		
	2015	2014	2013
Revenues	\$ 201,344	\$ 196,379	\$ 177,700
Cost of sales	105,238	121,594	96,817
Gross profit	96,106	74,785	80,883
Operating expenses			
Selling, general and administrative expense	15,663	12,840	12,467
Other expense	690	731	997
Total operating expenses	16,353	13,571	13,464
Operating income	79,753	61,214	67,419
Other income (expense), net			
Interest expense	(21,701)	(19,057)	(14,090)
Loss on debt extinguishment	—	(635)	(6,001)
Other expense, net	(84)	(196)	(6)
Total other expenses, net	(21,785)	(19,888)	(20,097)
Income from continuing operations before income taxes	57,968	41,326	47,322
Income tax expense (benefit)	22	1	(237)
Net income from continuing operations	57,946	41,325	47,559
Loss from discontinued operations, net of tax	(159,472)	(42,387)	(43,491)
Net (loss) income	\$ (101,526)	\$ (1,062)	\$ 4,068

See Accompanying Notes to Consolidated Financial Statements.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
Consolidated Statements of Comprehensive Income (Loss)
(Amounts in thousands)

	For the Years Ended December 31,		
	2015	2014	2013
Net (loss) income	\$ (101,526)	\$ (1,062)	\$ 4,068
Other comprehensive income (loss), net of tax:			
Pension and postretirement plan adjustments of discontinued operations	284	(1,304)	1,143
Other comprehensive income (loss) of discontinued operations	284	(1,304)	1,143
Comprehensive (loss) income	\$ (101,242)	\$ (2,366)	\$ 5,211

See Accompanying Notes to Consolidated Financial Statements.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
Consolidated Statements of Partners' Capital (Deficit)
(Amounts in thousands)

	Number of Common Units	Common Unitholders	Accumulated Other Comprehensive Income	General Partner	Total Partners' Capital (Deficit)
Balance, December 31, 2012	38,839	\$ 109,238	\$ 166	\$ —	\$ 109,404
Common units	50	(519)	—	—	(519)
Distributions to common unitholders - affiliates	—	(55,102)	—	—	(55,102)
Distributions to common unitholders - non-affiliates	—	(37,329)	—	—	(37,329)
Unit-based compensation expense	—	1,460	—	—	1,460
Net income	—	4,068	—	—	4,068
Other comprehensive income on discontinued operations	—	—	1,143	—	1,143
Balance, December 31, 2013	38,889	\$ 21,816	\$ 1,309	\$ —	\$ 23,125
Common units	83	(404)	—	—	(404)
Common units returned - Agrifos settlement	(59)	(632)	—	—	(632)
Distributions to common unitholders - affiliates	—	(7,208)	—	—	(7,208)
Distributions to common unitholders - non-affiliates	—	(4,907)	—	—	(4,907)
Unit-based compensation expense	—	1,283	—	—	1,283
Net loss	—	(1,062)	—	—	(1,062)
Other comprehensive loss on discontinued operations	—	—	(1,304)	—	(1,304)
Balance, December 31, 2014	38,913	\$ 8,886	\$ 5	\$ —	\$ 8,891
Common units	72	(250)	—	—	(250)
Distributions to common unitholders - affiliates	—	(44,408)	—	—	(44,408)
Distributions to common unitholders - non-affiliates	—	(30,332)	—	—	(30,332)
Unit-based compensation expense	—	1,075	—	—	1,075
Net loss	—	(101,526)	—	—	(101,526)
Other comprehensive income on discontinued operations	—	—	284	—	284
Balance, December 31, 2015	38,985	\$ (166,555)	\$ 289	\$ —	\$ (166,266)

See Accompanying Notes to Consolidated Financial Statements.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
Consolidated Statements of Cash Flows
(Amounts in thousands)

	For the Years Ended December 31,		
	2015	2014	2013
Cash flows from operating activities			
Net (loss) income	\$ (101,526)	\$ (1,062)	\$ 4,068
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	24,943	24,257	17,312
Pasadena asset impairment	160,622	—	—
Pasadena goodwill impairment	—	27,202	30,029
Gain on sale of easement	(1,425)	—	—
Utilization of spare parts	4,220	5,398	3,778
Write-down of inventory	2,153	6,045	12,360
Non-cash interest expense	1,302	1,192	961
Loss on debt extinguishment	—	635	6,001
Unit-based compensation	1,075	1,283	1,460
Unrealized (gain) loss on natural gas derivatives	(2,438)	3,955	—
Other	999	(1,287)	1,762
Changes in operating assets and liabilities:			
Accounts receivable	5,263	(9,280)	2,271
Inventories	(6,354)	(1,757)	(16,190)
Prepaid expenses and other current assets	(715)	(385)	(2,282)
Other receivables	(17)	1,870	399
Accounts payable	(2,705)	4,887	(5,289)
Accrued liabilities, accrued payroll and other	3,708	(4,847)	(6,667)
Deferred revenue	(9,717)	6,335	(9,295)
Accrued interest	90	438	3,780
Net cash provided by operating activities	<u>79,478</u>	<u>64,879</u>	<u>44,458</u>
Cash flows from investing activities			
Capital expenditures	(38,330)	(71,663)	(90,288)
Proceeds from easement	1,425	—	—
Other items	462	(897)	(252)
Net cash used in investing activities	<u>(36,443)</u>	<u>(72,560)</u>	<u>(90,540)</u>
Cash flows from financing activities			
Proceeds from credit facilities and term loan, net of original issue discount	19,500	15,000	15,600
Proceeds from issuance of notes	—	—	320,000
Payment of offering costs	—	—	(972)
Payments and retirement of debt	—	—	(208,890)
Payment of debt issuance costs	—	(1,236)	(8,964)
Distributions to common unitholders - affiliates	(44,408)	(7,208)	(55,102)
Distributions to common unitholders - non-affiliates	(30,332)	(4,907)	(37,329)
Net cash (used in) provided by financing activities	<u>(55,240)</u>	<u>1,649</u>	<u>24,343</u>
Decrease in cash	<u>(12,205)</u>	<u>(6,032)</u>	<u>(21,739)</u>
Cash, beginning of period	<u>28,028</u>	<u>34,060</u>	<u>55,799</u>
Cash, end of period	<u>15,823</u>	<u>28,028</u>	<u>34,060</u>
Less: cash, end of period, discontinued operations	<u>8,589</u>	<u>3,499</u>	<u>2,836</u>
Cash, end of period, continuing operations	<u>\$ 7,234</u>	<u>\$ 24,529</u>	<u>\$ 31,224</u>

See Accompanying Notes to Consolidated Financial Statements.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
Consolidated Statements of Cash Flows—Continued
(Amounts in thousands)

For the years ended December 31, 2015, 2014 and 2013, the Partnership made certain cash payments as follows:

	For the Years Ended December 31,		
	2015	2014	2013
Cash payments of interest, net of capitalized interest of \$1,986 (Dec 2015), \$3,077 (Dec 2014) and \$3,243 (Dec 2013)	\$ 19,642	\$ 17,787	\$ 9,674

Excluded from the consolidated statements of cash flows were the effects of certain non-cash investing and financing activities as follows:

	For the Years Ended December 31,		
	2015	2014	2013
Purchase of property, plant, equipment and construction in progress in accounts payable and accrued liabilities	\$ 5,883	\$ 5,739	\$ 10,509
Increase in asset retirement obligation of discontinued operations	\$ —	\$ 1,265	\$ —

See Accompanying Notes to Consolidated Financial Statements.

EAST DUBUQUE NITROGEN PARTNERS, L.P.
Notes to Consolidated Financial Statements

Note 1 — Description of Business

East Dubuque Nitrogen Partners, L.P. (formerly known as Rentech Nitrogen Partners, L.P.) ("the Partnership," "we," "us" or "our") owns East Dubuque Nitrogen Fertilizers, LLC (formerly known as Rentech Nitrogen, LLC), which owns and operates a fertilizer facility in East Dubuque, Illinois ("EDNF" or the "East Dubuque Facility"). The East Dubuque Facility produce primarily ammonia and urea ammonium nitrate solution ("UAN"), using natural gas as the facility's primary feedstock. Prior to the sale discussed in "Note 4 – Discontinued Operations", the Partnership also owned all of the equity interests of Rentech Nitrogen Pasadena, LLC ("RNPLLC"), which owns a fertilizer facility in Pasadena Texas (the "Pasadena Facility") that was purchased on November 1, 2012 as discussed in "Note 3 – Agrifos Acquisition".

We were formed by Rentech, Inc. ("Rentech"). Prior to the Merger as defined and discussed in "Note 15 – Subsequent Events", Rentech Nitrogen Holdings, Inc. ("RNHI"), Rentech's indirect wholly-owned subsidiary, owned approximately 60% of the outstanding Partnership common units. East Dubuque Nitrogen GP, LLC (formerly known as Rentech Nitrogen GP, LLC) (the "General Partner"), formerly RNHI's wholly-owned subsidiary, owns 100% of the non-economic general partner interest in us.

Note 2 — Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Partnership and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Pasadena (Discontinued Operations) and East Dubuque Policy

Revenues are recognized when customers take ownership upon shipment from the East Dubuque Facility or the Pasadena Facility's distributors' facilities and (i) customer assumes risk of loss, (ii) there are no uncertainties regarding customer acceptance, (iii) collection of the related receivable is probable, (iv) persuasive evidence of a sale arrangement exists and (v) the sales price is fixed or determinable. Management assesses the business environment, the customer's financial condition, historical collection experience, accounts receivable aging and customer disputes to determine whether collectability is reasonably assured. If collectability is not considered reasonably assured at the time of sale, the Partnership does not recognize revenue until collection occurs.

Natural gas, though not typically purchased for the purpose of resale, is occasionally sold by the East Dubuque Facility when contracted quantities received are in excess of production and storage capacities, in which case the sales price is recorded in revenues and the related cost is recorded in cost of sales. Natural gas sales were \$0.5 million for the year ended December 31, 2015, \$6.1 million for the year ended December 31, 2014 and \$3.4 million for the year ended December 31, 2013.

East Dubuque Contracts

EDNF had a distribution agreement (the "Distribution Agreement") with Agrium U.S.A., Inc. ("Agrium"). The Distribution Agreement was for a 10 year period, subject to renewal options. Pursuant to the Distribution Agreement, Agrium was obligated to use commercially reasonable efforts to promote the sale of, and solicit and secure orders from its customers for nitrogen fertilizer products manufactured at the East Dubuque Facility, and to purchase from EDNF nitrogen fertilizer products manufactured at the facility for prices to be negotiated in good faith from time to time. Under the Distribution Agreement, Agrium was appointed as the exclusive distributor for the sale, purchase and resale of nitrogen products manufactured at the East Dubuque Facility. Sale terms were negotiated and approved by EDNF. Agrium bore the credit risk on products sold through Agrium pursuant to the Distribution Agreement. If an agreement was not reached on the terms and

conditions of any proposed Agrium sale transaction, EDNF had the right to sell to third parties provided the sale was on the same timetable and volumes and at a price not lower than the one proposed by Agrium. For the years ended December 31, 2015, 2014 and 2013, the Distribution Agreement accounted for 65% or more of net revenues from product sales for the East Dubuque Facility. Receivables from Agrium accounted for 44% and 36% of the total accounts receivable balance of the East Dubuque Facility as of December 31, 2015 and 2014, respectively. EDNF terminated the Distribution Agreement as of December 31, 2015. EDNF will now sell directly to its customers.

EDNF negotiated sales with other customers and these transactions were not subject to the terms of the Distribution Agreement.

Under the Distribution Agreement, the East Dubuque Facility paid commissions to Agrium not to exceed \$5 million during each contract year on applicable gross sales during the first 10 years of the agreement. The effective commission rate for the year ended December 31, 2015 was 3.9%, for the year ended December 31, 2014 was 3.4% and 3.6% for the year ended December 31, 2013. The commission expense was recorded in cost of sales for all periods.

Pasadena Contracts (Discontinued Operations)

We sell substantially all of our Pasadena Facility's products through marketing and distribution agreements. Pursuant to an exclusive marketing agreement we have entered into with Interoceanic Corporation ("IOC"), IOC has the exclusive right and obligation to market and sell all of our Pasadena Facility's ammonium sulfate product. Under the marketing agreement, IOC is required to use commercially reasonable efforts to market the product to obtain the most advantageous price. We compensate IOC for transportation and storage costs relating to the ammonium sulfate product it markets through the pricing structure under the marketing agreement. The marketing agreement has a term that ends December 31, 2016, but automatically renews for subsequent one-year periods (unless either party delivers a termination notice to the other party at least 210 days prior to an automatic renewal). The marketing agreement may be terminated prior to its stated term for specified causes. During the years ended December 31, 2015, 2014 and 2013, the marketing agreement with IOC accounted for 80% or more of our Pasadena Facility's total revenues. In addition, we have an arrangement with IOC that permits us to store approximately 60,000 tons of ammonium sulfate at IOC-controlled terminals, which are located near end customers of our Pasadena Facility's ammonium sulfate. This arrangement currently is not governed by a written contract. We also have marketing and distribution agreements to sell other products that automatically renew for successive one year periods.

Deferred Revenue

A significant portion of the revenue recognized during any period may be related to prepaid contracts, for which cash was collected during an earlier period, with the result that a significant portion of revenue recognized during a period may not generate cash receipts during that period. As of December 31, 2015 and 2014, deferred revenue was \$6.2 million and \$19.3 million, respectively. We record a liability for deferred revenue to the extent that payment has been received under prepaid contracts, which create obligations for delivery of product within a specified period of time in the future. The terms of these prepaid contracts require payment in advance of delivery. The Partnership recognizes revenue related to the prepaid contracts and relieves the liability for deferred revenue when products are shipped.

At the Pasadena Facility, IOC pre-pays a portion of the sales price for shipments received into its storage facilities. The Partnership recognizes revenue related to the prepaid contracts or products stored at IOC facilities and relieves the liability for deferred revenue when products are shipped (including shipments to end customers from IOC facilities). See "Note 4 - Discontinued Operations" for deferred revenue associated with the Pasadena Facility.

Cost of Sales

Cost of sales are comprised of manufacturing costs related to the Partnership's fertilizer products. Cost of sales expenses include direct materials (such as natural gas), direct labor, indirect labor, employee fringe benefits, depreciation on plant machinery, electricity and other costs, including shipping and handling charges incurred to transport products sold.

The Partnership enters into short-term contracts to purchase physical supplies of natural gas in fixed quantities at both fixed and indexed prices. The Partnership anticipates that it will physically receive the contract quantities and use them in the production of fertilizer. The Partnership believes it is probable that the counterparties will fulfill their contractual obligations when executing these contracts. Natural gas purchases, including the cost of transportation to the East Dubuque Facility, are recorded at the point of delivery into the pipeline system.

Accounting for Derivative Instruments

Accounting guidance establishes accounting and reporting requirements for derivative instruments and hedging activities. This guidance requires recognition of all derivative instruments as assets or liabilities on the Partnership's consolidated balance sheets and measurement of those instruments at fair value. The accounting treatment of changes in fair value is dependent upon whether or not a derivative instrument is designated as a hedge and if so, the type of hedge. The Partnership currently does not designate any of its derivatives as hedges for financial accounting purposes. Gains and losses on derivative instruments not designated as hedges are currently included in cost of product sales on our statement of operations and reported under cash flows from operating activities.

Cash

Cash and cash equivalents consist of cash on hand with original maturities of three months or less. The Partnership has checking accounts with major financial institutions. At times balances with these financial institutions may be in excess of federally insured limits.

Accounts and Other Receivables

Trade receivables are recorded at net realizable value. The allowance for doubtful accounts reflects the Partnership's best estimate of probable losses inherent in the accounts receivable balance. The Partnership determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. The Partnership reviews its allowance for doubtful accounts quarterly. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. No allowance has been recorded as of December 31, 2015 and 2014.

Inventories

Inventories consist of raw materials and finished goods. The primary raw material used by the East Dubuque Facility in the production of its nitrogen products is natural gas. Raw materials also include certain chemicals used in the manufacturing process. Finished goods include the products stored at each plant that are ready for shipment along with any inventory that may be stored at remote facilities.

Inventories on the balance sheets included depreciation in the amount of \$1.9 million at December 31, 2015 and \$1.6 million at December 31, 2014. Inventories are stated at the lower of cost or estimated net realizable value. The cost of inventories is determined using the first-in first-out method. The estimated net realizable value is based on customer orders, market trends and historical pricing. On at least a quarterly basis, the Partnership performs an analysis of its inventory balances to determine if the carrying amount of inventories exceeds its net realizable value. If the carrying amount exceeds the estimated net realizable value, the carrying amount is reduced to the estimated net realizable value. See "Note 4 — Discontinued Operations" for amounts written down during the periods and included in loss from discontinued operations. During turnarounds at the East Dubuque Facility, the Partnership allocates fixed production overhead costs to inventory based on the normal capacity of its production facilities and unallocated overhead costs are recognized as expense in the period incurred.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets, except for platinum catalyst, as follows:

Type of Asset	Estimated Useful Life
Building and building improvements	20 - 40 years
Land improvements	15 - 20 years
Machinery and equipment	7 - 10 years
Computer equipment and software	3 - 5 years
Ammonia catalyst	3 - 10 years
Platinum catalyst	Based on units of production

Expenditures during turnarounds or at other times for improving, replacing or adding to EDNF's assets are capitalized. Expenditures for the acquisition, construction or development of new assets to maintain EDNF's operating capacity, or to

comply with environmental, health, safety or other regulations, are also capitalized. Costs of general maintenance and repairs are expensed.

When property, plant and equipment is retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operating expenses.

Spare parts are maintained to reduce the length of possible interruptions in plant operations from an infrastructure breakdown at the facility. The spare parts may be held for use for years before the spare parts are used. As a result, they are capitalized as a fixed asset at cost. When spare parts are utilized, the book values of the assets are charged to earnings as a cost of production. Periodically, the spare parts are evaluated for obsolescence and impairment and if the value of the spare parts is impaired, it is charged against earnings.

Long-lived assets and construction in progress are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the asset's fair value.

The Partnership capitalizes certain direct development costs associated with internal-use software, including external direct costs of material and services, and payroll costs for employees devoting time to software implementation projects. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

The Partnership has recorded asset retirement obligations ("AROs") related to future costs associated with the disposal of asbestos at the East Dubuque Facility. The fair value of a liability for an ARO is recorded in the period in which it is incurred and the cost of such liability increases the carrying amount of the related long-lived asset by the same amount. The liability is accreted each period through charges to operating expense and the capitalized cost is depreciated over the remaining useful life of the asset. The liability was \$0.5 million at December 31, 2015 and \$0.4 million at December 31, 2014. The ARO relating to the Pasadena Facility is recorded in discontinued operations. See "Note 4 - Discontinued Operations."

A reconciliation of the change in the carrying value of the AROs related to the East Dubuque Facility is as follows (in thousands):

Balance at December 31, 2014	\$	450
Accretion expense		50
Liabilities settled in current period		—
Balance at December 31, 2015	\$	<u>500</u>

Construction in Progress

We also capitalize costs for improvements to the existing machinery and equipment at our facilities and certain costs associated with our information technology initiatives. We do not depreciate construction in progress costs until the underlying assets are placed into service.

Acquisition Method of Accounting

The Partnership accounts for business combinations using the acquisition method of accounting, which requires, among other things, that assets acquired, liabilities assumed and earn-out consideration be recognized at their fair values as of the acquisition date.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in a business combination. The Partnership tests goodwill for impairment annually, or more often if an event or circumstance indicates that an impairment may have occurred. The analysis of the potential impairment of goodwill is a two-step process. Step one of the impairment test consists of comparing the fair value of the reporting unit with the aggregate carrying value, including goodwill. If the carrying value of a reporting unit exceeds the reporting unit's fair value, step two must be performed to determine the amount, if any, of the goodwill impairment.

There are significant assumptions involved in performing a goodwill impairment test, which include discount rates, terminal growth rates, future sales prices of end products, raw material costs, and sales volumes. The various valuation methods used (income approach, replacement cost and market approach) are weighted in determining fair value.

Intangible Assets

Intangible assets arose in conjunction with the Agrifos Acquisition (See "Note 3 — Agrifos Acquisition") and consist of technology to produce ammonium sulfate and the Pasadena Facility's marketing agreement with IOC. The Partnership assesses the realizable value of finite-lived intangible assets for potential impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In assessing the recoverability of its assets, the Partnership makes assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. As applicable, the Partnership makes assumptions regarding the useful lives of the assets. During 2015, the Partnership wrote off its intangible assets as a result of its impairment test (See "Note 4 — Discontinued Operations").

Intangible assets included in assets held for sale consist of the following at December 31, 2014:

	Average Life (Years)	As of December 31, 2014		
		Gross Amount	Accumulated Amortization (in thousands)	Net Carrying Amount
Technologies to produce fertilizers	20	\$ 23,680	\$ (2,566)	\$ 21,114
Fertilizer marketing agreements	1.5	3,088	(3,088)	—
Intangibles		<u>\$ 26,768</u>	<u>\$ (5,654)</u>	<u>\$ 21,114</u>

Income Taxes

We are not a taxable entity for federal income tax purposes. As such, we do not directly pay federal income tax. Our taxable income or loss, which may vary substantially from the net income or net loss we report in our consolidated statement of operations, is includable in the federal income tax returns of each partner. The aggregate difference in the basis of our net assets for financial and tax reporting purposes cannot be readily determined as we do not have access to information about each partner's tax attributes in us.

Comprehensive Income (Loss)

Comprehensive income (loss) includes all changes in partners' capital during the period from non-owner sources. To date, accumulated other comprehensive income (loss) is comprised of adjustments to the defined benefit pension plans and the postretirement benefit plan of our discontinued operations.

Quarterly Distributions of Available Cash

Prior to the Merger as defined and discussed in "Note 15 – Subsequent Events", the Partnership's policy was generally to distribute all of the cash available for distribution that it generated each quarter, which could materially affect the Partnership's liquidity and limit its ability to grow. Cash distributions for each quarter was determined by the board of directors (the "Board") of the General Partner following the end of each quarter. Cash available for distribution for each quarter was generally calculated as the cash it generated during the quarter, less cash needed for maintenance capital expenditures not funded by capital proceeds, debt service and other contractual obligations, and any increases in cash reserves for future operating or capital needs that the Board of the General Partner deemed necessary or appropriate. Increases or decreases in such reserves may have been determined at any time by the Board of the General Partner as it considered, among other things, the cash flows or cash needs expected in approaching periods. The Partnership did not intend to maintain excess distribution coverage for the purpose of maintaining stability or growth in its quarterly distribution, nor did it intend to incur debt to pay quarterly distributions. As a result of its quarterly distributions, the Partnership's liquidity may have been significantly affected. However, the partnership agreement did not require it to pay cash distributions on a quarterly or other basis, and the Partnership could change its distribution policy at any time and from time to time. Any distributions made by the Partnership to its unitholders were done on a pro rata basis. Additionally, the Merger Agreement, as discussed in Note 15 ("Subsequent Events"), permitted the Partnership to make distributions of cash available for distribution calculated in accordance with the Merger Agreement, which generally required the calculation to be consistent with its historical practice.

Related Parties

Prior to the Merger as defined and discussed in "Note 15 – Subsequent Events", the Partnership, the General Partner and Rentech had entered into a services agreement, pursuant to which the Partnership and the General Partner obtained certain management and other services from Rentech. Under the services agreement, the Partnership, its subsidiaries and the General Partner were obligated to reimburse Rentech for (i) all costs, excluding share-based compensation, incurred by Rentech or its

affiliates in connection with the employment of its employees who were seconded to the Partnership and who provided the Partnership services under the agreement on a full-time basis; (ii) a prorated share of costs, excluding share-based compensation, incurred by Rentech or its affiliates in connection with the employment of its employees, excluding seconded personnel, who provided the Partnership services under the agreement on a part-time basis, with such prorated share determined by Rentech on a commercially reasonable basis, based on the estimated percent of total working time that such personnel are engaged in performing services for the Partnership; (iii) a prorated share of certain administrative costs, in accordance with the agreement, including office costs, services by outside vendors, other general and administrative costs; and (iv) any taxes (other than income taxes, gross receipt taxes and similar taxes) incurred by Rentech or its affiliates for the services provided under the agreement. In accordance with the services agreement, the Partnership incurred \$7.6 million for the year ended December 31, 2015, \$6.2 million for the year ended December 31, 2014, and \$13.6 million for the year ended December 31, 2013 for service agreement costs.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (the "FASB") issued guidance that provides a narrower definition of discontinued operations than under previous guidance. It requires that only disposals of components of an entity (or groups of components) that represent a strategic shift that has or will have a major effect on the reporting entity's operations are to be reported in the financial statements as discontinued operations. It also provides guidance on the financial statement presentations and disclosures of discontinued operations. This guidance is effective prospectively for disposals of (or classifications of held-for-sale) components of an entity that occur in annual or interim periods beginning after December 15, 2014. The impact of this guidance is dependent on whether or not future disposals occur.

In May 2014, the Financial Accounting Standards Board (the "FASB") issued guidance that will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. In August 2015, the FASB approved a one-year deferral of the effective date making the guidance effective for interim and annual reporting periods beginning after December 15, 2017. In addition, the FASB will continue to permit entities to early adopt the guidance for annual periods beginning on or after December 15, 2016. The Partnership is evaluating the provisions of this guidance and the potential impact, if any, on its consolidated financial position, results of operations and disclosures.

In June 2014, the FASB issued guidance on accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. The Partnership does not expect the adoption of this guidance to have any impact on its consolidated financial position, results of operations or disclosures.

In August 2014, the FASB issued guidance on presentation of financial statements – going concern, which applies to all companies. It requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. This guidance is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The Partnership is evaluating the provisions of this guidance and the potential impact, if any, on its consolidated financial position, results of operations and disclosures.

In January 2015, the FASB issued guidance, which eliminates the concept of extraordinary items. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Partnership does not expect the adoption of this guidance to have any impact on its consolidated financial position, results of operations or disclosures.

In April 2015, the FASB issued guidance, which would require that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. As early adoption of the guidance is permitted, the Partnership has elected to implement the guidance in this report. As of December 31, 2015 and 2014, the Partnership had \$6.9 million and \$8.3 million, respectively, of debt issuance costs that were reclassified from assets to liabilities under this guidance.

In April 2015, the FASB issued guidance that will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. The Partnership does not expect the adoption of this guidance to have any impact on its consolidated financial position, results of operations or disclosures.

In July 2015, the FASB issued guidance that replaces the current lower of cost or market method of measurement for inventory with a lower of cost and net realizable value measurement. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The Partnership does not expect the adoption of this guidance to have a material impact on its consolidated financial position, results of operations or disclosures.

In February 2016, the FASB issued an update to its guidance on lease accounting. This update revises accounting for operating leases by a lessee, among other changes, and requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the balance sheet. The distinction between finance and operating leases has not changed and the update does not significantly change the effect of finance and operating leases on the statement of operations. The new guidance is effective for the first interim and annual periods beginning after December 15, 2018, with early adoption permitted. At adoption, this update will be applied using a modified retrospective approach. The Partnership is currently assessing the impact of adoption of this standard on our consolidated financial statements.

Note 3 — Agrifos Acquisition

On November 1, 2012, the Partnership acquired all of the membership interests of Agrifos, pursuant to a Membership Interest Purchase Agreement (the "Agrifos Purchase Agreement"). The purchase price for Agrifos and its subsidiaries consisted of an initial purchase price of \$136.3 million in cash, less working capital adjustments, and \$20.0 million in common units representing limited partnership interests in the Partnership (the "Common Units"), as well as potential earn-out consideration of up to \$50.0 million to be paid in Common Units or cash at the Partnership's option based on the amount by which the two-year Adjusted EBITDA, as defined in the Agrifos Purchase Agreement, of the Pasadena Facility exceeded certain thresholds. The Partnership deposited with an escrow agent in several escrow accounts a portion of the initial consideration consisting of an aggregate of \$7.25 million in cash, and 323,276 Common Units, to satisfy certain indemnity claims.

The fair value of earn-out consideration was determined based on the Partnership's analysis of various scenarios involving the achievement of certain levels of Adjusted EBITDA, as defined in the Agrifos Purchase Agreement, over a two-year period. The scenarios, which included a weighted probability factor, involved assumptions relating to the market prices of the Partnership's products and feedstocks, as well as product profitability and production. The earn-out consideration was measured at each reporting date with changes in its fair value recognized in the consolidated statements of operations. For the year ended December 31, 2013, the fair value of the liability decreased by approximately \$4.9 million and the adjustment is presented in discontinued operations. At December 31, 2013, the fair value of the potential earn-out consideration relating to the Agrifos Acquisition was \$0.

In October 2014, the Partnership reached an agreement to settle all existing and future indemnity claims it may have under the Agrifos Purchase Agreement. The parties agreed to distribute \$5.0 million of cash and 59,186 Common Units to the Partnership held in escrow. The remaining \$0.9 million of cash and 264,090 Common Units held in escrow were released to the seller of Agrifos. No earn-out consideration was earned. During the year ended December 31, 2014, the Partnership recognized income from the Agrifos settlement of \$5.6 million, which is included in discontinued operations.

Note 4 — Discontinued Operations

Sale of the Pasadena Facility

On March 14, 2016, the Partnership completed the sale of Rentech Nitrogen Pasadena Holdings, LLC ("Pasadena Holdings"), which owned 100% of Rentech Nitrogen Pasadena, LLC (together with Pasadena Holdings, the "Pasadena Entities"), which in turn owned and operated the Pasadena Facility, to Pasadena Commodities International, LLC, an affiliate of IOC. In connection with the sale of Pasadena Holdings, the Pasadena Entities assumed all liabilities, including, without limitation, environmental liabilities, taxes and liabilities relating to employee benefit plans to the extent related to the operation or ownership of the Pasadena Facility and its underlying business.

The transaction resulted in an initial cash payment to the Partnership of \$5.0 million in March 2016. The purchase agreement also includes a cash working capital adjustment, which is estimated to be an approximate \$4.6 million cash payment to the Partnership, after confirmation of the amount within ninety days of the closing of the transaction. The final working capital adjustment could differ from this estimate. The purchase agreement also includes a milestone payment, which would be paid the Partnership's unitholders of record at the close of business on March 28, 2016, equal to 50% of the facility's EBITDA, as defined in the purchase agreement and subject to other conditions in the purchase agreement, in excess of \$8.0 million cumulatively earned over the next two years. No amounts have been recorded in these consolidated financial statements relating to the milestone payment.

The following table summarizes the loss on sale of the Pasadena Facility, which will be recorded in our Q1 2016 financial statements (in thousands):

Cash consideration	\$	5,000
Estimated working capital adjustment		4,638
Carrying value of the Pasadena Facility net assets on the date of sale		(11,610)
Loss on sale of the Pasadena Facility	\$	<u>(1,972)</u>

On March 31, 2016, the Partnership paid a cash distribution of \$0.11 per unit to unitholders of record at the close on business on March 28, 2016, representing a distribution of the \$5.0 million initial cash receipt for the sale of the Pasadena Facility, net of transaction-related fees of approximately \$0.7 million.

The distribution of the cash working capital adjustment, the milestone payment and any other additional cash payments if and to the extent made by IOC relating to the purchase of the Pasadena Facility, and subject to reduction for certain expenses, will be made to the Partnership's unitholders of record at the close of business on March 28, 2016 within a reasonable time shortly after receiving such cash payments. The Board of the General Partner approved the issuance of purchase price adjustment rights representing the right to receive these additional cash payments, if and to the extent made, for each (i) Partnership common unit held by each holder of record of Partnership common units as of immediately prior to the effective time of the Merger, as defined and discussed in "Note 15 - Subsequent Events", and (ii) phantom unit outstanding under the Partnership's 2011 Long-Term Incentive Plan (the "LTIP") as of immediately prior to the effective time of the Merger that contains an effective distribution equivalent right (as defined in the LTIP), to be issued to the applicable holder of such phantom unit.

Discontinued Operations

The sale of the Pasadena Facility represents a strategic shift that will have a major effect on the Partnership's operations and financial results. As a result of the sale, the Partnership has classified its consolidated balance sheets and consolidated statements of operations for all periods presented in these consolidated financial statements to reflect the Pasadena Facility as discontinued operations. The cash flows of discontinued operations are separately summarized below as operating or investing activities. All discussions and amounts in the consolidated financial statements and related notes for all periods presented relate to continuing operations only, unless otherwise noted.

The following table summarizes the components of assets and liabilities of discontinued operations:

	As of December 31,	
	2015	2014
	(in thousands)	
Cash	\$ 8,589	\$ 3,499
Accounts receivable	2,450	10,180
Inventories	21,758	15,197
Prepaid expenses and other current assets	3,855	2,862
Current assets held for sale	36,652	31,738
Property, plant and equipment, net	1,810	107,956
Construction in progress	895	32,747
Intangible assets	—	21,114
Other long-term assets	71	182
Long-term assets held for sale	2,776	161,999
Total assets held for sale	\$ 39,428	\$ 193,737
Accounts payable	\$ 5,014	\$ 7,295
Payable to general partner	377	315
Accrued liabilities	5,644	5,260
Deferred revenue	10,786	7,421
Current liabilities held for sale	21,821	20,291
Asset retirement obligation	4,048	3,794
Other long-term liabilities	1,541	1,616
Long-term liabilities held for sale	5,589	5,410
Total liabilities held for sale	\$ 27,410	\$ 25,701

The following table summarizes the results of discontinued operations:

	For the Years Ended December 31,		
	2015	2014	2013
Revenues	\$ 139,387	\$ 138,233	\$ 133,675
Cost of sales	134,731	152,541	143,204
Gross profit (loss)	4,656	(14,308)	(9,529)
Operating expenses			
Pasadena asset impairment	160,622	—	—
Pasadena goodwill impairment	—	27,202	30,029
Other operating expenses	4,886	6,491	8,704
Total operating expenses	165,508	33,693	38,733
Operating loss	(160,852)	(48,001)	(48,262)
Other income, net			
Agrifos settlement	—	5,632	—
Gain on fair value adjustment to earn-out	—	—	4,920
Other income	1,425	—	(8)
Other income, net	1,425	5,632	4,912
Loss before income taxes	(159,427)	(42,369)	(43,350)
Income tax expense	45	18	141
Loss from discontinued operations, net of tax	\$ (159,472)	\$ (42,387)	\$ (43,491)

The following table summarizes cash flows from discontinued operations:

	For the Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net cash provided by (used in) operating activities from discontinued operations	\$ 13,890	\$ 47,453	\$ 28,835
Net cash provided by (used in) investing activities from discontinued operations	(8,800)	(46,790)	(32,308)
Net cash provided by (used in) discontinued operations	<u>\$ 5,090</u>	<u>\$ 663</u>	<u>\$ (3,473)</u>

During 2015, the Company updated forecasts of operating cash flows, assessed indications of interest from potential buyers, and updated its estimates of the probabilities of each scenario for the Pasadena Facility. Based on the results of the impairment tests, management concluded the Pasadena Facility's carrying value was no longer recoverable and wrote the associated assets down by \$160.6 million to their estimated fair values in 2015. The impairments reduced property, plant and equipment by \$140.1 million and intangible assets, consisting of technology acquired in the acquisition of the Pasadena Facility, by \$20.5 million. Fair value was based on probability weighting various cash flow scenarios using Level 3 inputs, under the applicable accounting guidance. The cash flow scenarios were based on market participant assumptions and indications of value from potential buyers of the Pasadena Facility.

During the year ended December 31, 2015, the Partnership wrote down the value of the Pasadena Facility's ammonium sulfate inventory by \$2.2 million to estimated net realizable value. During the year ended December 31, 2014, the Partnership wrote down the value of the Pasadena Facility's ammonium sulfate inventory by \$6.0 million to estimated net realizable value. The write-downs were reflected in cost of sales from discontinued operations for the applicable periods.

During the year ended December 31, 2015, the Partnership received a one-time easement payment of \$1.4 million to allow an adjacent property owner to construct some pipelines under the Pasadena Facility.

During the year ended December 31, 2015, the Partnership incurred transaction expenses of \$0.9 million related to the sale of the Pasadena Facility and are included in loss from discontinued operations.

Goodwill

The Partnership tests goodwill for impairment annually, or more often if an event or circumstances indicate an impairment may have occurred. The Pasadena Facility was considered a separate reporting unit for goodwill. Management considered the inventory impairments, negative gross margins and negative EBITDA in 2014 and 2013, as well as revised cash flow projections, all taken together, as indicators that a potential impairment of the goodwill related to the Pasadena Facility may have occurred. Factors that affect cash flow include, but are not limited to: product prices; product sales volumes; feedstock prices, labor, maintenance, and other operating costs; required capital expenditures; and plant productivity.

Cash flow projections decreased primarily because of a decline in forecasted product margins. The reduction of prices in the forecast was the result of an evaluation of many factors, including deterioration in reported margins. A global decline in nitrogen prices, along with higher exports of ammonium sulfate from China, put downward pressure on ammonium sulfate prices. The additional supplies from China originate from new plants that produce ammonium sulfate as a by-product of manufacturing caprolactam. Raw material prices for ammonia and sulfur, key inputs for ammonium sulfate, had increased significantly during 2014. Global ammonia supplies were tight, supported by production issues in Egypt, Algeria, Trinidad and Qatar, as well as political issues in Libya and Ukraine.

The analysis of the potential impairment of goodwill is a two-step process. Step one of the impairment test consists of comparing the fair value of the reporting unit with the aggregate carrying value, including goodwill. If the carrying value of a reporting unit exceeds the reporting unit's fair value, step two must be performed to determine the amount, if any, of the goodwill impairment. Step one of the goodwill impairment test involves a high degree of judgment and consists of a comparison of the fair value of a reporting unit with its book value. The fair value of the Pasadena reporting unit was based upon various assumptions and was based primarily on the discounted cash flows that the business could be expected to generate in the future (the "Income Approach"). The Income Approach valuation method required management to make projections of revenue and costs over a multi-year period. Additionally, the Partnership made an estimate of a weighted average cost of capital

that a market participant would use as a discount rate. The Partnership also considered other valuation methods including the replacement cost and market approach. Based upon its analysis of the fair value of the Pasadena reporting unit, the Partnership believed it was probable that the Pasadena reporting unit had a carrying value in excess of its fair value in 2014 and 2013. The inputs utilized in the analyses were classified as Level 3 inputs within the fair value hierarchy as defined in accounting guidance.

Step two of the goodwill impairment test consists of comparing the implied fair value of the reporting unit's goodwill against the carrying value of the goodwill. The estimated difference between the fair value of the entire reporting unit as determined in step one and the net fair value of all identifiable assets and liabilities represents the implied fair value of goodwill. The valuation of assets and liabilities in step two is performed only for purposes of assessing goodwill for impairment and the Partnership did not adjust the net book value of the assets and liabilities on its consolidated balance sheets other than goodwill as a result of this process. Completion of step two of the goodwill impairment test indicated a \$27.2 million residual value at December 31, 2013 and no remaining residual value of goodwill at December 31, 2014. This resulted in the Partnership recording impairment charges of \$27.2 million and \$30.0 million during the years ended December 31, 2014 and 2013, respectively, which was primarily the result of a decrease in the implied fair value of the Pasadena reporting unit. A deterioration in projected cash flows and an increase in the rate used to discount such cash flows contributed to the decreases in 2014 and 2013. In addition, the implied residual value of goodwill decreased because of an increase in the amount of invested capital at the Pasadena Facility, which primarily was the result of capital expenditures for the power generation project and expenditures to replace the sulfuric acid converter. The goodwill was fully impaired during the year ended December 31, 2014, and there was no goodwill outstanding as of December 31, 2014.

The notes that follow have been updated for the Pasadena discontinued operation.

Note 5 — Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Partnership makes certain assumptions it believes that market participants would use in pricing assets or liabilities, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. Credit risk of the Partnership and its counterparties is incorporated in the valuation of assets and liabilities. The Partnership believes it uses valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

Accounting guidance provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. All assets and liabilities are required to be classified in their entirety based on the lowest level of input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input may require judgment in considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and its placement within the fair value hierarchy. The Partnership classifies fair value balances based on the fair value hierarchy, defined as follows:

- *Level 1* — Consists of unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access as of the reporting date.
- *Level 2* — Consists of inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- *Level 3* — Consists of unobservable inputs for assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost-benefit constraints.

Fair values of cash, receivables, deposits, other current assets, accounts payable, accrued liabilities and other current liabilities were assumed to approximate carrying value since they are short term and can be settled on demand.

The following table presents the fair value and carrying value of the Partnership's borrowings as of December 31, 2015.

	Fair Value			Carrying Value
	Level 1	Level 2	Level 3	
	(in thousands)			
Liabilities				
Second Lien Notes	\$ 310,400	\$ —	\$ —	\$ 313,934
Wells Fargo Credit Agreement	—	34,500	—	33,641

The following table presents the fair value and carrying value of the Partnership's borrowings as of December 31, 2014.

	Fair Value			Carrying Value
	Level 1	Level 2	Level 3	
	(in thousands)			
Liabilities				
Second Lien Notes	\$ 310,202	\$ —	\$ —	\$ 312,785
Wells Fargo Credit Agreement	—	15,000	—	13,900

Second Lien Notes

The Second Lien Notes, as defined in "Note 9 – Debt", are deemed to be Level 1 financial instruments because there is an active market for such debt. The fair value of such debt was determined based on market prices.

Wells Fargo Credit Agreement

The Wells Fargo Credit Agreement, as defined in "Note 9 — Debt", is deemed to be a Level 2 financial instrument because the measurement is based on observable market data. It is concluded that the carrying value of the Wells Fargo Credit Agreement approximates the fair value of such loan as of December 31, 2015 and 2014 based on its floating interest rate and the Company's assessment that the fixed-rate margin is still at market.

The levels within the fair value hierarchy at which the Partnership's financial instruments have been evaluated have not changed for any of the Partnership's financial instruments during the years ended December 31, 2015 and 2014.

The notes that follow have been updated for the Pasadena discontinued operations.

Note 6 — Derivative Instruments

Forward Natural Gas Contracts

The Partnership uses commodity-based derivatives to minimize its exposure to the fluctuations in natural gas prices. The Partnership recognizes the unrealized gains or losses related to the commodity-based derivative instruments in its consolidated financial statements. The Partnership does not have any master netting agreements or collateral relating to these derivatives.

Our East Dubuque Facility enters into forward natural gas purchase contracts to reduce its exposure to the fluctuations in natural gas prices. The forward natural gas contracts are deemed to be Level 2 financial instruments because the measurement is based on observable market data. The fair value of such contracts had been determined based on market prices. Gain or loss associated with forward natural gas contracts is recorded in cost of sales on the consolidated statements of operations. The amount of unrealized gain (loss) recorded was \$2.4 million for the year ended December 31, 2015 and \$(4.0) million for the year ended December 31, 2014. These forward natural gas contracts are recorded in accrued liabilities on the consolidated balance sheets.

	As of December 31,	
	2015	2014
	Current Liabilities	
	(in thousands)	
Forward natural gas contracts:		
Gross amounts recognized	\$ 1,517	\$ 3,955
Gross amounts offset in consolidated balance sheets	—	—
Net amounts presented in the consolidated balance sheets	\$ 1,517	\$ 3,955

The following table presents the financial instruments that were accounted for at fair value by level as of December 31, 2015 and 2014.

	Level 1	Level 2	Level 3
	(in thousands)		
Liabilities			
Forward natural gas contracts - December 31, 2015	\$ —	\$ 1,517	\$ —
Forward natural gas contracts - December 31, 2014	—	3,955	—

Interest Rate Swaps

In 2012, EDNF entered into two forward starting interest rate swaps in notional amounts which covered a portion of its outstanding borrowings. The interest rate swaps were deemed to be Level 2 financial instruments because the measurements were based on observable market data. The Partnership used a standard swap contract valuation method to value its interest rate derivatives, and the inputs it used for present value discounting included forward one-month and three-month LIBOR rates, risk-free interest rates and an estimate of credit risk. The change in fair value was recorded in other expense, net on the consolidated statement of operations. The realized loss represents the cash payments required under the interest rate swaps.

Net gain (loss) on interest rate swaps:

	For the Year Ended
	December 31,
	2013
	(in thousands)
Realized loss	\$ (24)
Unrealized gain	17
Total net loss on interest rate swaps	\$ (7)

During the year ended December 31, 2013, the Partnership paid \$0.9 million to terminate the interest rate swaps as described above.

Note 7 — Inventories

Inventories consisted of the following:

	As of	
	December 31, 2015	December 31, 2014
	(in thousands)	
Finished goods	\$ 9,701	\$ 11,946
Raw materials	430	447
Other	227	146
Total inventory	\$ 10,358	\$ 12,539

Note 8 — Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	As of	
	December 31, 2015	December 31, 2014
	(in thousands)	
Land and land improvements	\$ 2,272	\$ 2,190
Buildings and building improvements	11,975	11,938
Machinery and equipment	228,028	211,996
Computer equipment and computer software	3,049	1,653
Other	532	470
	<u>245,856</u>	<u>228,247</u>
Less: Accumulated depreciation	<u>(95,588)</u>	<u>(77,190)</u>
Total property, plant and equipment, net	<u>\$ 150,268</u>	<u>\$ 151,057</u>

The construction in progress balance at December 31, 2015 was \$22.8 million, which includes \$0.7 million of capitalized interest costs. The construction in progress balance represents primarily the costs associated with the ammonia synthesis converter project at the East Dubuque Facility.

The construction in progress balance at December 31, 2014 was \$15.0 million, which includes \$0.2 million of capitalized interest costs. The construction in progress balance represents primarily the costs associated with the nitric acid upgrade project and the ammonia synthesis converter project at the East Dubuque Facility.

Note 9 — Debt

The Partnership's borrowings at December 31, 2015 and 2014 are summarized below. Debt premium, discount and issuance expenses incurred in connection with financing are deferred and amortized on a straight line basis.

Second Lien Notes Offering

On April 12, 2013, the Partnership and East Dubuque Finance Corporation (formerly known as Rentech Nitrogen Finance Corporation), a wholly owned subsidiary of the Partnership ("Finance Corporation" and collectively with the Partnership, the "Issuers"), issued \$320.0 million of 6.5% second lien senior secured notes due 2021 (the "Second Lien Notes") to qualified institutional buyers and non-United States persons in a private offering exempt from the registration requirements of the Securities Act of 1933, as amended. The Second Lien Notes bear interest at a rate of 6.5% per year, payable semi-annually in arrears on April 15 and October 15 of each year. The Second Lien Notes will mature on April 15, 2021, unless repurchased or redeemed earlier in accordance with their terms. The Partnership used part of the net proceeds from the offering to repay in full and terminate a credit agreement entered into in October 2012 ("the 2012 Credit Agreement") and related interest rate swaps, and used the remaining proceeds to pay for expenditures related to its expansion projects and for general partnership purposes. The payoff of the 2012 Credit Agreement resulted in a loss on debt extinguishment, for the year ended December 31, 2013, of \$6.0 million.

The Second Lien Notes are fully and unconditionally guaranteed, jointly and severally, by each of the Partnership's existing domestic subsidiaries, other than Finance Corporation. In addition, the Second Lien Notes and the guarantees thereof are collateralized by a second priority lien on substantially all of the Partnership's and the guarantors' assets, subject to permitted liens.

The Issuers may redeem some or all of the Second Lien Notes at any time prior to April 15, 2016 at a redemption price equal to 100% of the principal amount of the Second Lien Notes redeemed, plus a "make whole" premium, and accrued and unpaid interest, if any, to the date of redemption. At any time prior to April 15, 2016, the Partnership may also, on any one or more occasions, redeem up to 35% of the aggregate principal amount of the Second Lien Notes issued with the net proceeds of certain equity offerings at 106.5% of the principal amount of the Second Lien Notes, plus accrued and unpaid interest, if any, to the date of redemption. On or after April 15, 2016, the Partnership may redeem some or all of the Second Lien Notes at a premium that will decrease over time, plus accrued and unpaid interest, if any, to the redemption date.

Credit Agreement

On April 12, 2013, the Partnership and Finance Corporation entered into a credit agreement (the "Credit Agreement"). The Credit Agreement consisted of a \$35.0 million senior secured revolving credit facility. The Credit Agreement was terminated on July 22, 2014 and replaced with the Wells Fargo Credit Agreement (defined below). The termination of the Credit Agreement resulted in a loss on debt extinguishment of \$0.6 million for the year ended December 31, 2014.

Wells Fargo Credit Agreement

On July 22, 2014, the Partnership replaced the Credit Agreement by entering into a new credit agreement by and among the Partnership and Finance Corporation as borrowers (the "Borrowers"), certain subsidiaries of the Partnership, as guarantors, General Electric Capital Corporation, for itself as agent for the lenders party thereto, the other financial institutions party thereto, and GE Capital Markets, Inc., as sole lead arranger and bookrunner.

On March 1, 2016, Wells Fargo Bank, N.A. acquired our new credit agreement (the "Wells Fargo Credit Agreement") from General Electric Capital Corporation.

The Wells Fargo Credit Agreement consists of a \$50.0 million senior secured revolving credit facility with a \$10.0 million letter of credit sublimit. At December 31, 2015, a letter of credit had been issued, but not drawn upon, in the amount of \$1.4 million. The Wells Fargo Credit Agreement was used to fund growth projects, working capital needs, letters of credit and for other general partnership purposes.

Borrowings under the Wells Fargo Credit Agreement bear interest at a rate equal to an applicable margin plus, at the Borrowers' option, either (a) in the case of base rate borrowings, a rate equal to the highest of (1) the prime rate, (2) the federal funds rate plus 0.5% or (3) LIBOR for an interest period of one month plus 1.00% or (b) in the case of LIBOR borrowings, the offered rate per annum for deposits of dollars for the applicable interest period on the day that is two business days prior to the first day of such interest period. The applicable margin for borrowings under the Wells Fargo Credit Agreement is 2.25% with respect to base rate borrowings and 3.25% with respect to LIBOR borrowings.

The Borrowers are required to pay a fee to the lenders under the Wells Fargo Credit Agreement on the average undrawn available portion of the Wells Fargo Credit Agreement at a rate equal to 0.50% per annum. If letters of credit are issued, the Borrowers will also pay a fee to the lenders under the Wells Fargo Credit Agreement at a rate equal to the product of the average daily undrawn face amount of all letters of credit issued, guaranteed or supported by risk participation agreements multiplied by a per annum rate equal to the applicable margin with respect to LIBOR borrowings. The Borrowers are also required to pay customary letter of credit fees on issued letters of credit. In the event the Borrowers reduce or terminate the commitments under the Wells Fargo Credit Agreement on or prior to the 18-month anniversary of the closing date, the Borrowers shall pay a prepayment fee equal to 1.0% of the amount of the commitment reduction.

The Wells Fargo Credit Agreement was scheduled to expire on July 22, 2019.

The obligations under the Wells Fargo Credit Agreement and the subsidiary guarantees thereof are secured by the same collateral securing the Second Lien Notes, which includes substantially all the assets of the Partnership and its subsidiaries. After the occurrence and during the continuation of an event of default, proceeds of any collection, sale, foreclosure or other realization upon any collateral will be applied to repay obligations under the Wells Fargo Credit Agreement and the subsidiary guarantees thereof to the extent secured by the collateral before any such proceeds are applied to repay obligations under the Second Lien Notes.

The Wells Fargo Credit Agreement contains a number of customary representations and warranties, affirmative and negative covenants and events of default. The covenants include, among other things, compliance with environmental laws, limitations on the incurrence of indebtedness and liens, the making of investments, the sale of assets and the making of restricted payments. In the event that less than 30% of the commitment amount is available for borrowing on any distribution date, in order to make a distribution on such date (a) the Partnership must maintain a first lien leverage ratio no greater than 1.0 to 1.0 and (b) the sum of (i) the undrawn amount under the Wells Fargo Credit Agreement and (ii) cash maintained by the Partnership and its subsidiaries in collateral deposit accounts must be at least \$5 million, in each case on a pro forma basis. In addition, before the Partnership can make distributions, there cannot be any default under the Wells Fargo Credit Agreement. The Wells Fargo Credit Agreement also contains a requirement that the Partnership maintain a first lien leverage ratio not to exceed 1.0 to 1.0 (a) at the end of each fiscal quarter where less than 30% of the commitment amount is available for drawing under the Wells Fargo Credit Agreement or (b) a default has occurred and is continuing. As of December 31, 2015, the Partnership was in compliance with all covenants under the Second Lien Notes and the Wells Fargo Credit Agreement.

Debt consists of the following:

	As of December 31,	
	2015	2014
	(in thousands)	
Second Lien Notes	\$ 320,000	\$ 320,000
Wells Fargo Credit Agreement	34,500	15,000
Total debt	354,500	335,000
Less: Debt issuance costs	(6,925)	(8,315)
Less: Current portion	—	—
Long-term debt	\$ 347,575	\$ 326,685

Future maturities of the total debt are as follows (in thousands):

For the Years Ending December 31,	
2016	\$ —
2017	—
2018	—
2019	34,500
2020	—
Thereafter	320,000
	<u>\$ 354,500</u>

See "Note 15 - Subsequent Events" for discussion of subsequent events related to debt.

Note 10 — Commitments and Contingencies

Natural Gas Forward Purchase Contracts

The Partnership's policy and practice are to enter into fixed-price forward purchase contracts for natural gas in conjunction with contracted nitrogen fertilizer product sales in order to substantially fix gross margin on those product sales contracts. The Partnership may also enter into a limited amount of additional fixed-price forward purchase contracts for natural gas in order to reduce monthly and seasonal natural gas price volatility. The Partnership occasionally enters into index-price contracts for the purchase of natural gas. The Partnership has entered into multiple natural gas forward purchase contracts for various delivery dates through May 31, 2016. Commitments for natural gas purchases consist of the following:

	As of December 31,	
	2015	2014
	(in thousands, except weighted average rate)	
MMBtus under fixed-price contracts	2,580	3,188
MMBtus under index-price contracts	—	540
Total MMBtus under contracts	2,580	3,728
Commitments to purchase natural gas	\$ 8,131	\$ 15,568
Weighted average rate per MMBtu based on the fixed rates and the indexes applicable to each contract	\$ 3.15	\$ 4.18

As of December 31, 2015, deposits against these forward gas contracts were \$0.6 million. During January and February 2016, the Partnership entered into additional fixed-quantity forward purchase contracts at fixed and indexed prices for various delivery dates through February 29, 2016. The total MMBtus associated with these additional forward purchase contracts are 0.7 million and the total amount of the purchase commitments is \$1.5 million, resulting in a weighted average rate per MMBtu of \$2.20 in these new commitments. The Partnership is required to make additional prepayments under these forward purchase contracts in the event that market prices fall below the purchase prices in the contracts.

Operating Leases

The Partnership has various operating leases of real and personal property which expire through April 2020. Total lease expense for the year ended December 31, 2015 was \$1.8 million, for the year ended December 31, 2014 was \$1.0 million and \$1.6 million for the year ended December 31, 2013.

Future minimum lease payments as of December 31, 2015 are as follows (in thousands):

For the Years Ending December 31,	
2016	\$ 474
2017	88
2018	58
2019	39
2020	9
	<u>\$ 668</u>

Litigation

The Partnership is party to litigation from time to time in the normal course of business. The Partnership accrues liabilities related to litigation only when it concludes that it is probable that it will incur costs related to such litigation, and can reasonably estimate the amount of such costs. In cases where the Partnership determines that it is not probable, but reasonably possible that it has a material obligation, it discloses such obligations and the possible loss or range of loss, if such estimate can be made. The outcome of the Partnership's current material litigation matters are not estimable or probable. The Partnership maintains insurance to cover certain actions and believes that resolution of its current litigation matters will not have a material adverse effect on the Partnership's financial statements.

Litigation Relating to the Merger Transaction

On August 29, 2015, Mike Mustard, a purported unitholder of the Partnership, filed a class action complaint on behalf of the public unitholders of the Partnership against the Partnership, the General Partner, Rentech Nitrogen Holdings, Inc., Rentech, CVR Partners, DSHC, LLC, Lux Merger Sub 1 LLC ("Merger Sub 1") and Lux Merger Sub 2 LLC ("Merger Sub 2"), and the members of the General Partner's board of directors, in the Court of Chancery of the State of Delaware (the "Mustard Lawsuit"). On October 6, 2015, Jesse Sloan, a purported unitholder of the Partnership, filed a class action complaint on behalf of the public unitholders of the Partnership against the Partnership, the General Partner, CVR Partners, Merger Sub 1, Merger Sub 2 and members of the General Partner's board of directors in the U.S. District Court for the Northern District of California (the "Sloan Lawsuit" and together with the Mustard Lawsuit, the "Lawsuits").

The Lawsuits allege, among other things, that the consideration offered by CVR Partners is unfair and inadequate and that, by pursuing the proposed transaction with CVR Partners, the Partnership's directors have breached their contractual and fiduciary duties to the Partnership's unitholders. The Lawsuits also allege that the non-director defendants aided and abetted the director defendants in their purported breach of contractual and fiduciary duties. Furthermore, the Sloan Lawsuit alleges that the registration statement filed with the SEC with respect to the transaction fails to disclose material information leading up to the Merger, fails to disclose or contains misleading disclosures concerning Morgan Stanley & Co. LLC's financial analyses and fails to disclose or contains misleading disclosure concerning financial projections.

On February 1, 2016, plaintiffs and defendants entered into a memorandum of understanding ("MOU") providing for the proposed settlement of the lawsuits. While the defendants believe that no supplemental disclosure is required under applicable laws, in order to avoid the burden and expense of further litigation, they have agreed to make, pursuant to the terms of the MOU, and have made certain supplemental disclosures related to the Merger, all of which were disclosed in a Form 8-K filed by the Partnership with the SEC on February 2, 2016. The MOU contemplates that the parties will enter into a stipulation of settlement. The stipulation of settlement will be subject to customary conditions, including court approval following notice to the Partnership's unitholders. In the event that the parties enter into a stipulation of settlement, a hearing will be scheduled at which the United States District Court for the Central District of California (the "Court") will consider the fairness, reasonableness and adequacy of the proposed settlement. If the proposed settlement is finally approved by the Court, it will resolve and release all claims by unitholders of the Partnership challenging any aspect of the Merger, the merger agreement and any disclosure made in connection therewith, including in the definitive proxy statement, pursuant to terms that will be disclosed to such unitholders prior to final approval of the proposed settlement. In addition, in connection with the proposed settlement, the parties contemplate that plaintiffs' counsel will file a petition in the Court for an award of attorneys' fees and expenses to be paid by the Partnership or its successor. There can be no assurance that the Court will approve the proposed

settlement contemplated by the MOU. In the event that the proposed settlement is not approved and such conditions are not satisfied, the defendants will continue to vigorously defend against the allegations in the lawsuits.

Regulation

The Partnership's business is subject to extensive and frequently changing federal, state and local, environmental, health and safety regulations governing a wide range of matters, including the emission of air pollutants, the release of hazardous substances into the environment, the treatment and discharge of waste water and the storage, handling, use and transportation of the Partnership's fertilizer products, raw materials, and other substances that are part of our operations. These laws include the Clean Air Act (the "CAA"), the federal Water Pollution Control Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Toxic Substances Control Act, and various other federal, state and local laws and regulations. The laws and regulations to which the Partnership is subject are complex, change frequently and have tended to become more stringent over time. The ultimate impact on the Partnership's business of complying with existing laws and regulations is not always clearly known or determinable due in part to the fact that the Partnership's operations may change over time and certain implementing regulations for laws, such as the CAA, have not yet been finalized, are under governmental or judicial review or are being revised. These laws and regulations could result in increased capital, operating and compliance costs.

The Partnership entered into a settlement agreement with the Illinois Environmental Protection Agency in August 2013 requiring it to connect a device at the East Dubuque Facility to an ammonia safety flare by December 1, 2015, which it did. The cost of the project required by the settlement agreement was \$0.4 million.

Note 11 — Partners' Capital and Partnership Distributions

The Partnership had 195,355 unit-settled phantom units outstanding as of December 31, 2015 and 219,858 unit-settled phantom units outstanding as of December 31, 2014. Each outstanding phantom unit entitles the holder to payments in amounts equal to any distributions made to an outstanding unit by the Partnership. Payments to outstanding phantom units are not subtracted from operating cash flow in the calculation of cash available for distribution, but the payments made to phantom unitholders are recorded as distributions for accounting purposes. For information on the announcement of cash distributions refer to "Note 15 — Subsequent Events".

The following is a summary of cash distributions paid to common unitholders and holders of phantom units during the years ended December 31, 2015 and 2014 for the respective quarters to which the distributions relate:

	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	Total Cash Distributions Paid in 2015
	(in thousands, except for per unit amounts)				
Distribution to common unitholders - affiliates	\$ 6,975	\$ 8,370	\$ 23,250	\$ 5,813	\$ 44,408
Distribution to common unitholders - non-affiliates	4,763	5,714	15,884	3,971	30,332
Total amount paid	\$ 11,738	\$ 14,084	\$ 39,134	\$ 9,784	\$ 74,740
Per common unit	\$ 0.30	\$ 0.36	\$ 1.00	\$ 0.25	\$ 1.91
Common and phantom units outstanding	39,127	39,121	39,134	39,134	

	December 31, 2013	March 31, 2014	June 30, 2014	September 30, 2014	Total Cash Distributions Paid in 2014
	(in thousands, except for per unit amounts)				
Distribution to common unitholders - affiliates	\$ 1,162	\$ 1,861	\$ 3,022	\$ 1,163	\$ 7,208
Distribution to common unitholders - non-affiliates	792	1,266	2,060	789	4,907
Total amount paid	\$ 1,954	\$ 3,127	\$ 5,082	\$ 1,952	\$ 12,115
Per common unit	\$ 0.05	\$ 0.08	\$ 0.13	\$ 0.05	\$ 0.31
Common and phantom units outstanding	39,081	39,081	39,098	39,030	

Note 12 — Long-Term Incentive Equity Awards and Other Equity Based Compensation

The General Partner's officers, employees and non-employee directors, certain of the Partnership's other affiliates who make significant contributions to its business, as well as, prior to the Merger as defined and discussed in "Note 15 – Subsequent

Events", other key employees of Rentech, the former indirect parent of the General Partner, were eligible to receive awards under the Rentech Nitrogen Partners, L.P. 2011 Long-Term Incentive Plan ("LTIP"), thereby linking the recipients' compensation directly to the Partnership's performance. The LTIP provided for the grant of unit awards, restricted units, phantom units, unit options, unit appreciation rights, distribution equivalent rights, profits interest units and other unit-based awards. Subject to adjustment in the event of certain transactions or changes in capitalization, 3,825,000 common units were reserved for issuance pursuant to awards under the LTIP.

The accounting guidance requires all share-based payments to be recognized in the statement of operations, based on their fair values. Some grants under the LTIP were marked to market at each reporting date. Most grants had graded vesting provisions where an equal number of shares vest on each anniversary of the grant date. The Partnership allocated the total compensation cost on a straight-line attribution method over the requisite service period. Equity based compensation expense that the Partnership recorded was included in selling, general and administrative expense.

During the years ended December 31, 2015, 2014 and 2013, charges associated with all equity-based grants issued by the Partnership under the LTIP were recorded as follows:

	For the Years Ended December 31,		
	2015	2014	2013
	(in thousands)		
Unit-based compensation expense	\$ 1,075	\$ 1,283	\$ 1,460

During the years ended December 31, 2015, 2014 and 2013, included in the unit-based compensation expense above were charges associated with Pasadena equity-based grants of \$0.2 million, \$0.1 million and \$0.1 million, respectively, which have been reported in discontinued operations. See Note 4 ("Discontinued Operations").

Phantom unit transactions during the years ended December 31, 2015, 2014 and 2013 are summarized as follows:

	Number of shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding at December 31, 2012	154,938	\$ 23.78	\$ 5,839,626
Granted	116,508	18.71	
Vested and Settled in Shares	(49,409)	(23.42)	
Vested and Surrendered for Withholding Taxes Payable	(27,127)	(21.75)	
Canceled / Expired	(1,278)	(35.14)	
Outstanding at December 31, 2013	193,632	\$ 20.97	\$ 3,407,929
Granted	160,088	10.93	
Vested and Settled in Shares	(83,471)	(20.68)	
Vested and Surrendered for Withholding Taxes Payable	(35,342)	(20.91)	
Canceled / Expired	(15,049)	(24.79)	
Outstanding at December 31, 2014	219,858	\$ 11.33	\$ 2,310,711
Granted	91,964	10.42	
Vested and Settled in Shares	(72,237)	(15.69)	
Vested and Surrendered for Withholding Taxes Payable	(25,267)	(15.94)	
Canceled / Expired	(18,963)	(15.80)	
Outstanding at December 31, 2015	195,355	\$ 11.07	\$ 2,070,605

During the year ended December 31, 2015, the Partnership issued 91,964 unit-settled phantom units (which entitle the holder to distribution rights during the vesting period) covering the Partnership's common units. 78,634 of the phantom units are time-vested awards that vest in three equal annual installments, subject to continued service through the applicable vesting date. 4,450 of the phantom units were time-vested awards issued to the directors that will vest on the one-year anniversary of the grant date, subject to continued service through the applicable vesting date. The phantom unit grants resulted in unit-based compensation expense of \$0.9 million for the year ended December 31, 2015.

As of December 31, 2015, there was \$1.7 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements from previously granted phantom units. That cost is expected to be recognized over a weighted-average period of 2.6 years.

During the year ended December 31, 2015, the Partnership issued a total of 8,880 common units which were fully vested at date of grant. The common units were issued to the directors and resulted in unit-based compensation expense of \$0.1 million.

Note 13 — Employee Benefit Plans

Defined Contribution Plans

Salaried employees participated in Rentech's 401(k) plan while union employees at the East Dubuque Facility participated in the East Dubuque Nitrogen GP, LLC 401(k) Plan (formerly known as the Rentech Nitrogen GP, LLC 401(k) Plan). Salaried employees who were at least 18 years of age and have 60 days of service were eligible to participate in Rentech's plan on the first of the month following 60 days and share in the employer matching contribution. During 2015, the participating employees received an employer match of 100% of the first 3% and 50% of the next 3% of the Rentech plan participant's salary deferrals. Participants are fully vested in both matching and any discretionary employer contributions made to the plan. Union employees at the East Dubuque Facility who were at least 18 years of age and had been employed by the Partnership for 120 days were eligible to participate in EDNF's plan.

Union employees at the East Dubuque Facility hired before October 20, 1999 receive an employer contribution of 4% of compensation and an employer match of 50% of the first 2% of the participant's salary deferrals. Union employees hired after October 19, 1999 receive an employer matching contribution of 100% of the first 2% of the participant's salary deferrals and then 75% of the next 4% of the participant's salary deferrals. Participants are fully vested in both matching and any discretionary employer contributions made to the plan.

Defined Contribution Plans (Discontinued Operations)

Union employees at the Pasadena Facility who are at least 18 years of age and are employed by RNPLLC during entry dates of April 1st or October 1st of the applicable year are eligible to participate in RNPLLC's plan. Union employees receive an RNPLLC contribution of 2% of compensation and an RNPLLC match of 100% of the first 2.5% of the participant's salary deferrals. Participants are fully vested in all employer contributions made to the plan by RNPLLC.

Employer contributions totaled \$0.5 million for the year ended December 31, 2015 and \$0.6 million for each of the years ended December 31, 2014 and 2013. RNPLLC contributed to RNPLLC's 401(k) plan \$0.3 million for each of the years ended December 31, 2015 and 2014 and \$0.2 million for the year ended December 31, 2013.

Pension and Postretirement Benefit Plans (Discontinued Operations)

Reporting and disclosures related to pension and other postretirement benefit plans require that companies include an additional asset or liability on the balance sheet to reflect the funded status of retirement and other postretirement benefit plans, and a corresponding after-tax adjustment to accumulated other comprehensive income.

The Partnership has two noncontributory pension plans (the "Pension Plans"), one of which covers hourly paid employees represented by collective bargaining agreements in effect at its Pasadena Facility and the other of which covers non-union hourly employees at its Pasadena Facility who have 1,000 hours of service during a year of employment.

The Partnership has a postretirement benefit plan (the "Postretirement Plan") for certain employees at its Pasadena Facility. The plan provides a fixed dollar amount to supplement payment of eligible medical expenses. The amount of the supplement under the plan is based on years of service and the type of coverage elected (single or family members and spouses). Participants are eligible for supplements at retirement after age 55 with at least 20 years of service to be paid until the attainment of age 65 or another disqualifying event, if earlier.

The following tables summarize the projected benefit obligation, the assets and the funded status of the Pension Plans and the Postretirement Plan at December 31, 2015 and 2014:

	As of December 31, 2015		As of December 31, 2014	
	Pension	Postretirement	Pension	Postretirement
	(in thousands)			
Projected benefit obligation				
Benefit obligation at beginning of year	\$ 5,796	\$ 927	\$ 4,505	\$ 853
Service cost	206	35	106	35
Interest cost	218	30	213	37
Actuarial (gain) loss	(500)	(94)	1,125	93
Actual benefit paid	(200)	(27)	(153)	(91)
Benefit obligation at end of year	<u>5,520</u>	<u>871</u>	<u>5,796</u>	<u>927</u>
Fair value of plan assets				
Fair value of plan assets at beginning of year	5,025	—	4,927	—
Actual return on plan assets	(23)	—	251	—
Employer contributions	—	27	—	91
Actual benefit paid	(200)	(27)	(153)	(91)
Fair value of plan assets at end of year	<u>4,802</u>	<u>—</u>	<u>5,025</u>	<u>—</u>
Funded status at end of year	<u>\$ (718)</u>	<u>\$ (871)</u>	<u>\$ (771)</u>	<u>\$ (927)</u>
Amounts recognized in the consolidated balance sheet				
Noncurrent assets	\$ 19	\$ —	\$ —	\$ —
Current liabilities	—	(67)	—	(81)
Noncurrent liabilities	(737)	(804)	(771)	(846)
	<u>\$ (718)</u>	<u>\$ (871)</u>	<u>\$ (771)</u>	<u>\$ (927)</u>

As of December 31, 2015 and 2014, the accumulated benefit obligation equaled the projected benefit obligation.

The components of net periodic benefit cost and other changes in plan assets and benefit obligations recognized in other comprehensive income are as follows for the years ended December 31, 2015, 2014 and 2013:

	For the Year Ended December 31, 2015		For the Year Ended December 31, 2014		For the Year Ended December 31, 2013	
	Pension	Postretirement	Pension	Postretirement	Pension	Postretirement
	(in thousands)					
Net periodic benefit cost						
Service cost	\$ 206	\$ 35	\$ 106	\$ 35	\$ 137	\$ 43
Interest cost	218	30	213	37	194	43
Expected return on plan assets	(296)	—	(289)	—	(260)	—
Amortization of prior service cost	—	22	—	22	—	22
Amortization of net gain	—	(13)	(54)	(16)	(5)	—
Net periodic pension costs	<u>\$ 128</u>	<u>\$ 74</u>	<u>\$ (24)</u>	<u>\$ 78</u>	<u>\$ 66</u>	<u>\$ 108</u>
Other changes in plan assets and benefit obligations recognized in other comprehensive income						
Net actuarial (gain) loss	\$ (181)	\$ (94)	\$ 1,163	\$ 93	\$ (893)	\$ (233)
Recognized actuarial gain	—	13	54	16	5	—
Prior service cost	—	—	—	—	—	—
Recognized prior service cost	—	(22)	—	(22)	—	(22)
Total recognized in other comprehensive (income) loss	<u>\$ (181)</u>	<u>\$ (103)</u>	<u>\$ 1,217</u>	<u>\$ 87</u>	<u>\$ (888)</u>	<u>\$ (255)</u>

Accumulated other comprehensive income at December 31, 2015, 2014 and 2013 consists of the following amounts that have not yet been recognized in net periodic benefit cost:

	For the Year Ended December 31, 2015		For the Year Ended December 31, 2014		For the Year Ended December 31, 2013	
	Pension	Postretirement	Pension	Postretirement	Pension	Postretirement
	(in thousands)					
Net gain	\$ (295)	\$ (260)	\$ (114)	\$ (178)	\$ (1,332)	\$ (287)
Prior service cost	—	265	—	287	—	310
	<u>\$ (295)</u>	<u>\$ 5</u>	<u>\$ (114)</u>	<u>\$ 109</u>	<u>\$ (1,332)</u>	<u>\$ 23</u>

The expected portion of the accumulated other comprehensive loss expected to be recognized as a component of net periodic benefit cost in 2016 is \$0 for the Pension Plans and \$10,000 for the Postretirement Plan.

Weighted average assumptions used to determine benefit obligations:

	As of December 31, 2015		As of December 31, 2014		As of December 31, 2013	
	Pension	Postretirement	Pension	Postretirement	Pension	Postretirement
Discount rate	4.2%	4.0%	4.0%	3.9%	4.8%	4.7%

Weighted average assumptions used to determine net pension cost:

	For the Year Ended December 31, 2015		For the Year Ended December 31, 2014		For the Year Ended December 31, 2013	
	Pension	Postretirement	Pension	Postretirement	Pension	Postretirement
Discount rate	4.0%	3.9%	4.8%	4.7%	4.1%	4.0%
Expected rate of return on assets	6.0%	N/A	6.0%	N/A	6.0%	N/A

Determination of the Expected Long-Term Rate of Return on Assets

The overall expected long-term rate of return on assets assumption is based on the long-term target asset allocation for plan assets and capital markets return forecasts for asset classes employed. A portion of the asset returns are subject to taxation, so the expected long-term rate of return for these assets is determined on an after-tax basis. The GAAP gain/loss methodology provides that differences between expected and actual returns are recognized over the average future service of employees.

	Postretirement As of December 31,		
	2015	2014	2013
Health care cost trend: initial	N/A	9.00%	7.25%
Health care cost trend: ultimate	N/A	5.00%	5.00%
Year ultimate reached	N/A	2025	2023

As of December 31, 2015, there were no remaining retirees entitled to medical coverage, and there will not be any future remaining retirees entitled to medical coverage since there are no active remaining participants in the Postretirement Plan. Therefore, medical trend rates are no longer relevant.

Asset Category	As of December 31, 2015		As of December 31, 2014	
	Target Allocation	Percentage of Pension Plan Assets 2015	Target Allocation	Percentage of Pension Plan Assets 2014
Equity securities	50%	52%	50%	52%
Debt securities	50%	48%	50%	48%

The goals of the Pension Plans' asset investment strategy are to:

- 1) Provide benefits to the participants and their beneficiaries and defray the reasonable expenses of administering the Pension Plans.
- 2) Contribute the amounts necessary to maintain the Pension Plans on a sound actuarial basis and to satisfy the minimum funding standards established by law.
- 3) Invest without distinction between principal and income and in such securities or property, real or personal, wherever situated, including, but not limited to, stocks, common or preferred, bonds and other evidence of indebtedness or ownership, and real estate or any interest therein, taking into consideration the short and long-term financial needs of the Pension Plans.

The Pension Plans seek to maintain compliance with the Employee Retirement Income Security Act of 1974, as amended, and any applicable regulations and laws.

The Pension Plan assets are deemed to be Level 1 financial instruments at December 31, 2015 and 2014. The fair value of such assets had been determined based on market prices. The fair value of the pension plan assets consist of the following at December 31, 2015 and 2014 (in thousands):

	As of December 31,	
	2015	2014
	(in thousands)	
Mutual funds - equity	\$ 2,560	\$ 2,671
Mutual funds - fixed income	2,051	2,151
Other	191	203
Fair value of plan assets	<u>\$ 4,802</u>	<u>\$ 5,025</u>

The Partnership expects to contribute \$0 to the Pension Plans and \$67,000 to the Postretirement Plan, in 2016.

Expected Future Benefit Payments:

	Pension	Postretirement
	(in thousands)	
2016	\$ 194	\$ 67
2017	199	79
2018	211	70
2019	237	49
2020	247	36
2021 - 2025	1,287	172

Note 14 — Income Taxes

For each of the years ended December 31, 2015 and 2014, the Partnership recorded minimal state income tax expense. For the year ended December 31, 2013, the Partnership recorded a state income tax benefit of \$0.2 million on income attributable to the Partnership, primarily attributable to replacement tax for the Illinois Department of Revenue.

Note 15 — Subsequent Events

Subsequent events have been evaluated through the date the financial statements were issued. Refer to "Note 4 – Discontinued Operations" for discussion of other subsequent events.

Distributions

On February 15, 2016, the Partnership announced a cash distribution to its common unitholders for the period October 1, 2015 through and including December 31, 2015 of \$0.10 per common unit which resulted in total distributions in

the amount of \$3.9 million, including \$2.3 million to affiliates and \$1.6 million to non-affiliates, including payments to phantom unitholders. The cash distribution was paid on February 29, 2016 to unitholders of record at the close of business on February 25, 2016.

Merger

On April 1, 2016, the Partnership completed the transactions contemplated by the Agreement and Plan of Merger, dated as of August 9, 2015 (the "Merger Agreement") under which the Partnership and the General Partner merged with subsidiaries of CVR Partners, LP ("CVR Partners"), and the Partnership ceased to be a public company and became a subsidiary of CVR Partners (the "Merger").

Under the terms of the Merger Agreement, holders of the Common Units eligible to receive consideration received 1.04 common units representing limited partner interests in CVR Partners and \$2.57 in cash, without interest, for each Partnership common unit (the "merger consideration").

Phantom units granted and outstanding under the Partnership's equity plans and held by an employee who continued in the employment of a CVR Partners-affiliated entity upon closing of the Merger were canceled and replaced with new incentive awards of substantially equivalent value and on similar terms. Each phantom unit granted and outstanding and held by (i) an employee who did not continue in employment of a CVR Partners-affiliated entity, or (ii) a director of the General Partner, upon closing of the Merger, vested in full and the holders thereof received the merger consideration.

Merger-related transaction expenses incurred during the year ended December 31, 2015 totaled \$3.7 million and are included in selling, general and administrative expenses. There were no transaction expenses incurred during the the years ended December 31, 2014 or 2013.

Wells Fargo Credit Agreement

In connection with the closing of the Merger, on April 1, 2016, CVR Partners and its affiliates contributed \$49.4 million to the Partnership, which was used to pay off the outstanding balance, including accrued interest and fees of the Wells Fargo Credit Agreement, and the Wells Fargo Credit Agreement was canceled.

Second Lien Notes

On April 29, 2016, the Partnership commenced a cash tender offer (the "Tender Offer") to purchase any and all of the outstanding Second Lien Notes. In connection with the Tender Offer, the Partnership is soliciting consents to certain proposed amendments (the "Consent Solicitation") to the indenture governing the Second Lien Notes (the "Indenture"). Holders that validly tender their Second Lien Notes pursuant to the Tender Offer and deliver their consents pursuant to the Consent Solicitation (and who do not validly withdraw their tender and consents) on or before 5:00 p.m., New York City time on May 12, 2016 (as such date and time may be extended, the "Early Tender Date") will receive \$1,015 per \$1,000 in principal amount of the Second Lien Notes. Holders who validly tender their Second Lien Notes and provide their consents after the Early Tender Date but on or before 5:00 p.m., New York City time on May 27, 2016, unless extended or earlier terminated, will receive an amount equal to \$985 per \$1,000 in principal amount. Holders whose Second Lien Notes are purchased under the Tender Offer will also receive accrued and unpaid interest up to the settlement date.

The primary purpose of the Consent Solicitation is to eliminate or modify substantially all of the restrictive covenants relating to the Partnership and its subsidiaries, eliminate all events of default other than failure to pay principal, premium or interest on the Second Lien Notes, eliminate all conditions to satisfaction and discharge, and release the liens on the collateral securing the Second Lien Notes. Holders may not tender their Second Lien Notes in the Tender Offer without delivering their consents under the Consent Solicitation, and holders may not deliver their consents under the Consent Solicitation without tendering their Second Lien Notes pursuant to the Tender Offer. The amendments to the Indenture contemplated by the Consent Solicitation will not become operative unless at least a majority of the aggregate principal amount of the Second Lien Notes (excluding consents from the Partnership and its affiliates) validly participate in (and do not validly withdraw) the Consent Solicitation; provided 66 2/3% of the aggregate principal amount of the Second Lien Notes (excluding consents from the Partnership and its affiliates) must validly participate in the Consent Solicitation to release the collateral securing the Second Lien Notes.

Concurrently with, but separately from the Tender Offer, the Partnership also commenced an offer to purchase all of the outstanding Second Lien Notes at a price equal to 101% of the principal amount thereof (the "Change of Control Offer"), as required as a result of the Merger Agreement. Holders who validly tender their Second Lien Notes prior to 5:00 p.m., New

York City time on June 28, 2016, will receive \$1,010 for each \$1,000 in principal amount. Holders whose Second Lien Notes are purchased under the Change of Control Offer will also receive accrued and unpaid interest up to the settlement date.

On May 12, 2016, the Partnership had received tenders and consents from holders of \$315,245,000 in aggregate principal amount of the Second Lien Notes, representing approximately 98.5% of the total outstanding principal amount of the Second Lien Notes. The Partnership received the requisite consents in respect of the Second Lien Notes in connection with the Consent Solicitation to amend the Indenture as described above (the "Proposed Amendments"). As a result, the Partnership may execute a supplemental indenture relating to the Second Lien Notes promptly after the withdrawal deadline setting forth the Proposed Amendments. The Proposed Amendments will become operative upon payment for the tendered Second Lien Notes pursuant to the terms of the Tender Offer and Consent Solicitation.

The Second Lien Notes that remain outstanding following the consummation of the Tender Offer and the Change of Control Offer will continue to be obligations of the Issuers. The Second Lien Notes are fully and unconditionally guaranteed, jointly and severally, by each of the Partnership's existing domestic subsidiaries, other than the Finance Corporation. In addition, the Second Lien Notes and the guarantees thereof are collateralized by a second priority lien on substantially all of the Partnership's and the guarantor's assets, excluding any assets of Coffeyville Resources Nitrogen Fertilizers, LLC and subject to permitted liens.

