

CVR PARTNERS, LP
Form S-1/A
April 02, 2012
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As filed with the Securities and Exchange Commission on April 2, 2012

Registration No. 333-179930

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CVR PARTNERS, LP

(Exact Name of Registrant as Specified in Its Charter)

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

2873
*(Primary Standard Industrial
Classification Code Number)*

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

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

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

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

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

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

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

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

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

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| Title of Each Class of Securities to | Amount to be registered ⁽¹⁾ | Proposed Maximum Offering Price per Common Unit ⁽²⁾ | Proposed Maximum Aggregate Offering Price ⁽²⁾ | Amount of Registration Fee ⁽³⁾ |
|---|--|--|--|---|
| Common units representing limited partner interests | 11,500,000 | \$26.24 | \$301,760,000 | \$34,582 |

(1) Includes 1,500,000 common units which the underwriters have the option to purchase.

(2) The maximum offering price per common unit is \$26.24 and the bona fide estimate of the maximum offering price is \$301,760,000. The maximum offering price per common unit of \$26.24 was computed based on the average of the high and low prices reported for the registrant's common units traded on the New York Stock Exchange on March 28, 2012. However, the maximum offering price per common unit and the maximum aggregate offering price are included herein solely for purposes of calculating the registration fee pursuant to Rules 457(a) and 457(c) under the Securities Act, and the maximum aggregate offering price for the 11,500,000 common units in the aggregate may exceed \$ 301,760,000 if the shares are sold at prices higher than their estimated maximum offering prices per common unit.

(3) Includes \$28,650 previously paid in respect of an aggregate offering price of \$250,000,000. \$5,932 is included with this filing in respect of the additional \$51,760,000 of common units being registered hereby.

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

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

PROSPECTUS (Subject to Completion)

Dated April 2, 2012

10,000,000 Common Units

Representing Limited Partner Interests

CVR Partners, LP

All of the common units representing limited partner interests, or common units, to be sold in this offering are being sold by Coffeyville Resources, LLC, or the Selling Unitholder, which owns our general partner and following this offering will own approximately 56.0% of our common units. In addition, the Selling Unitholder has granted the underwriters an option to purchase up to an additional 1,500,000 common units from us to cover over-allotments, if any, within 30 days from the date of this prospectus. The Selling Unitholder would own approximately 54.0% of our common units if the underwriters exercise their option to purchase additional common units in full. We will not receive any of the proceeds from the sale of common units by the Selling Unitholder.

Our common units are listed on the New York Stock Exchange under the symbol UAN. The last reported sale price of our common units on March 30, 2012 was \$26.30 per share.

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

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

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

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

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

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

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

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

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

To the extent the underwriters sell more than 10,000,000 common units, the underwriters have the option to purchase up to an additional 1,500,000 common units from the Selling Unitholder at the public offering price less the underwriting discounts and commissions. We will not receive any of the proceeds from the sale of common units pursuant to any exercise of the underwriters' option to purchase additional common units.

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

Barclays

Deutsche Bank Securities

Goldman, Sachs & Co.

Morgan Stanley

UBS Investment Bank

**Dahlman Rose & Company
RBS**

**J.P. Morgan
Simmons & Company**

**RBC Capital Markets
SunTrust Robinson Humphrey**

International

The date of this prospectus is , 2012.

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

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

Industry and Market Data

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

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and the documents incorporated by reference herein. You should carefully read the entire prospectus, including the Risk Factors sections herein and in our Annual Report on Form 10-K for the year ended December 31, 2011 (the 2011 Form 10-K) and the consolidated historical financial statements and related notes incorporated by reference into this prospectus, before making an investment decision. Unless otherwise indicated, the information in this prospectus assumes that the underwriters do not exercise their option to purchase additional common units from the Selling Unitholder. References in this prospectus to CVR Partners, we, our, us or like terms refer to CVR Partners, LP and its consolidated subsidiary unless the context otherwise requires or where otherwise indicated. References in this prospectus to CVR Energy refer to CVR Energy, Inc. and its consolidated subsidiaries other than CVR Partners unless the context otherwise requires or where otherwise indicated, references to the Selling Unitholder refer to Coffeyville Resources, LLC, a wholly-owned subsidiary of CVR Energy that, prior to this offering, owns approximately 70% of our common units, and following this offering, will own approximately 56.0% of our common units (54.0% if the underwriters exercise their option to purchase additional common units in full) and references to CVR GP or our general partner refer to CVR GP, LLC, which is an indirect wholly-owned subsidiary of CVR Energy. You should also see the Glossary of Selected Terms contained in Appendix A for definitions of some of the terms we use to describe our business and industry and other terms used in this prospectus.

CVR Partners, LP

Overview

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

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

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

We are expanding our existing asset base and utilizing the experience of our and CVR Energy's management teams to execute our growth strategy, which includes expanding production of UAN and acquiring and building additional infrastructure and production assets. A significant two-year plant expansion designed to increase our UAN production capacity by 400,000 tons, or approximately 50%, per year, is underway. CVR Energy, a New York Stock Exchange listed company, which indirectly owns our general partner and will own approximately 56.0% of our outstanding common units following this offering, currently operates a 115,000 barrels per day (bpd) oil refinery in Coffeyville, Kansas, a 70,000 bpd oil refinery in Wynnewood, Oklahoma, and ancillary businesses.

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

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

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

Our Competitive Strengths

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

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

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

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

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

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

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

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Our Business Strategy

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

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

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

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

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

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

Continue to Enhance Efficiency and Reduce Operating Costs. We are currently engaged in certain projects that will reduce overall operating costs, increase efficiency and utilize byproducts to generate incremental revenue. For example, we have built a low btu gas recovery pipeline between our nitrogen fertilizer plant and CVR Energy's crude oil refinery, which will allow us to sell off-gas, an exhaust gas byproduct produced by our fertilizer plant, to the refinery. This pipeline began operating in May 2011. In addition, in March 2011, we signed an agreement to sell all of the high purity carbon dioxide, or CO₂, produced by our nitrogen fertilizer plant (currently approximately 850,000 tons per year) to an oil and gas exploration and production company. Revenues from sales of our CO₂ are not expected to be material.

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Continue to Focus on Safety and Training. We intend to continue our focus on safety and training in order to increase our facility's reliability and maintain our facility's high on-stream availability. We have developed a series of comprehensive safety programs, involving active participation of employees at all levels of the organization, that are aimed at preventing recordable incidents. In 2011, our nitrogen fertilizer plant had 3.43 recordable incidents per 200,000 hours worked.

Provide High Level of Customer Service. We focus on providing our customers with the highest level of service. The nitrogen fertilizer plant has demonstrated consistent levels of production while operating at close to full capacity. Substantially all of our product shipments are targeted to freight advantaged destinations located in the U.S. farm belt, allowing us to quickly and reliably service customer demand. Furthermore, we maintain our own fleet of railcars, which helps us ensure prompt delivery. As a result of these efforts, many of our largest customers have been our customers since the plant came online in 2000. We believe a continued focus on customer service will allow us to maintain relationships with existing customers and grow our business.

Recent Developments

On February 22, 2012, we announced our results for the quarter and year ended December 31, 2011. During 2011, we had the best full year operating and financial performance in our history.

In the fourth quarter of 2011, we had net sales of \$87.6 million and net income of \$41.2 million, or \$0.56 per fully diluted common unit, compared to net sales of \$39.4 million and a net loss of \$6.2 million for the fourth quarter of 2010. For the full year of 2011, we had net sales of \$302.9 million and record net income of \$132.4 million, or \$1.48 per fully diluted common unit, compared to net sales of \$180.5 million and net income of \$33.3 million for 2010. Our EBITDA for 2011 was \$155.3 million, compared to EBITDA of \$38.7 million in 2010. Every two years we undergo a scheduled turnaround of our facilities, most recently in the fourth quarter of 2010 and scheduled next for the fourth quarter of 2012. For a reconciliation of EBITDA to net income, see footnote 8 under Summary Historical Consolidated Financial Information.

For the fourth quarter of 2011, average realized plant gate prices for ammonia and UAN were \$606 per ton and \$334 per ton respectively, compared to \$491 per ton and \$171 per ton respectively for the equivalent period in 2010. For the full year 2011, average realized plant gate prices for ammonia and UAN were \$579 per ton and \$284 per ton respectively, compared to \$361 per ton and \$179 per ton respectively for full year 2010.

We produced 100,800 tons of ammonia during the fourth quarter of 2011, of which 27,500 net tons were available for sale while the rest was upgraded to 178,300 tons of more highly valued UAN. In the 2010 fourth quarter, the plant produced 69,900 tons of ammonia with 37,700 net tons available for sale with the remainder upgraded to 77,800 tons of UAN.

For full year 2011, we produced 411,200 tons of ammonia, of which 116,800 net tons were available for sale while the rest was upgraded to 714,100 tons of UAN. In 2010, the company produced 392,700 tons of ammonia, of which 155,600 net tons were available for sale while the remaining was upgraded to 578,300 tons of UAN.

On-stream factors during the fourth quarter of 2011 were 97.6% for the gasifiers, 97.1% for the ammonia synthesis loop, and 94.1% for the UAN conversion facility. For full year 2011, on-stream factors were 99.0% for the gasifiers, 97.7% for the ammonia synthesis loop, and 95.5% for the UAN conversion facility.

On January 26, 2012, we announced our fourth quarter distribution based on available cash of 58.8 cents per common unit which was paid on February 14, 2012, to unitholders of record on February 7, 2012. This was our third distribution since our IPO in April 2011, and we have distributed a total of \$1.57 per common unit to date.

CVR Energy indirectly owns our general partner and approximately 70% of our common units and following this offering will own approximately 56.0% of our common units (54.0% if the underwriters exercise their option to purchase additional common units in full). On March 23, 2012, certain funds affiliated with Carl Icahn filed a preliminary proxy statement with the SEC indicating their intent to nominate nine individuals for election to CVR Energy's Board of Directors. Mr. Icahn has filed a Schedule 13D indicating that he and affiliated entities

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beneficially own approximately 14.5% of the common stock of CVR Energy. In addition, on February 23, 2012, certain funds affiliated with Mr. Icahn commenced a tender offer for control of CVR Energy with the intention, following completion of such tender offer, to seek to sell CVR Energy to a strategic acquirer. On March 19, 2012, the Board of Directors of CVR Energy unanimously determined that the Icahn tender offer was inadequate and recommended that CVR Energy's stockholders reject the Icahn offer and not tender their shares. Our general partner is an indirect wholly-owned subsidiary of CVR Energy, and consequently CVR Energy has the right to appoint all of the members of the board of directors of our general partner. See Risk Factors Risks Related to an Investment in Us Our business could be negatively affected as a result of a threatened proxy contest and pending tender offer with respect to CVR Energy.

Industry Overview

Nitrogen, phosphate and potassium are the three essential nutrients plants need to grow for which there are no substitutes. Nitrogen is the primary determinant of crop yield. Nutrients are depleted in soil over time and therefore must be replenished through fertilizer use. Nitrogen is the most quickly depleted nutrient and so must be replenished every year, whereas phosphate and potassium can be retained in soil for up to three years.

Global demand for fertilizers is driven primarily by population growth, dietary changes in the developing world and increased consumption of bio-fuels. According to the International Fertilizer Industry Association, or IFA, from 1972 to 2010, global fertilizer demand grew 2% annually. Fertilizer use is projected to increase by 45% between 2005 and 2030 to meet global food demand, according to a study funded by the Food and Agriculture Organization of the United Nations. Currently, the developed world uses fertilizer more intensively than the developing world, but sustained economic growth in emerging markets is increasing food demand and fertilizer use. As an example, China's grain production increased 46% between 2001 and 2011, but still failed to keep pace with increases in demand, prompting China to double its grain imports over the same period, according to the United States Department of Agriculture, or USDA.

World grain demand has increased 9% over the last five years leading to a tight grain supply environment and significant increases in grain prices, which is highly supportive of fertilizer prices. During the last five years, corn prices in Illinois have averaged \$4.65 per bushel, an increase of 93% above the average price of \$2.41 per bushel during the preceding five years. Recently, this trend has continued as U.S. 30-day corn and wheat futures increased 63% and 48%, respectively, from December 2009 to 2011. From 2009 to 2011, average Southern Plains ammonia prices increased 103% from \$302 per ton to \$613 per ton and average corn belt UAN prices increased 74% from \$215 per ton to \$375 per ton. Nitrogen fertilizer prices have decoupled from their historical correlation with natural gas prices and are now driven primarily by demand dynamics. At existing grain prices and prices implied by futures markets, farmers are expected to generate substantial profits, leading to relatively inelastic demand for fertilizers.

The United States is the world's largest exporter of coarse grains, accounting for 37% of world exports and 28% of total world production, according to the USDA. The United States is also the world's third largest consumer of nitrogen fertilizer and historically one of the world's largest importers of nitrogen fertilizer, importing approximately 38% of its nitrogen fertilizer needs. North American producers have a significant and sustainable cost advantage over European producers that export to the U.S. market. Over the last decade, the North American nitrogen fertilizer market has experienced significant consolidation through plant closures and corporate consolidation.

The convenience of nitrogen solutions fertilizer has led to a 16.8% increase in the United States in its consumption from 2000 through 2011 (estimated), whereas ammonia fertilizer consumption decreased by 5.5% in the United States for the same period, according to data supplied by Blue Johnson. Unlike ammonia and urea, UAN can be applied throughout the growing season and can be applied in tandem with pesticides and fungicides, providing farmers with flexibility and cost savings. As a result of these factors, UAN commands a premium price to urea and ammonia, on a nitrogen equivalent basis.

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Principal Executive Offices

Our principal executive offices are located at 2277 Plaza Drive, Suite 500, Sugar Land, Texas 77479, and our telephone number is (281) 207-3200. Our website address is www.cvrpartners.com. Information contained on our website or CVR Energy's website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus. Our periodic reports and other information filed with or furnished to the Securities and Exchange Commission, or SEC, are available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC.

Risk Factors

An investment in our common units involves risks associated with our business, our partnership structure and the tax characteristics of our common units. These risks are described under **Risk Factors** and **Cautionary Note Regarding Forward-Looking Statements**. You should carefully consider these risk factors together with all other information included in this prospectus.

In particular, due to our relationship with CVR Energy, adverse developments or announcements concerning CVR Energy could materially adversely affect our business. The ratings assigned to CVR Energy's senior secured indebtedness are below investment grade.

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THE OFFERING

| | |
|--|--|
| Issuer | CVR Partners, LP, a Delaware limited partnership. |
| Selling Unitholder | Coffeyville Resources, LLC, a wholly-owned subsidiary of CVR Energy, Inc. |
| Common units offered to the public by the Selling Unitholder | 10,000,000 common units. |
| Option to purchase additional common units from the Selling Unitholder | 1,500,000 common units. |
| Units outstanding after this offering | 73,030,936 common units (excluding 164,571 common units that are subject to vesting and 4,799,353 common units which are reserved for future grant or issuance under our long-term incentive plan). |
| Use of Proceeds | We will not receive any of the proceeds from the sale of the common units by the Selling Unitholder. |
| Cash Distributions | <p>Our general partner's current policy is to distribute all of the available cash we generate each quarter. Available cash for each quarter is determined by the board of directors of our general partner following the end of such quarter. Available cash for each quarter generally equals our cash flow from operations for the quarter, less cash needed for maintenance capital expenditures, debt service and other contractual obligations, and reserves for future operating or capital needs that the board of directors of our general partner deems necessary or appropriate. We do not maintain excess distribution coverage for the purpose of maintaining stability or growth in our quarterly distribution or otherwise to reserve cash for distributions, and we do not intend to incur debt to pay quarterly distributions. We expect to finance substantially all of our growth externally, either by debt issuances or additional issuances of equity.</p> <p>Because our general partner's policy is to distribute all the available cash we generate each quarter, without reserving cash for future distributions or borrowing to pay distributions during periods of low cash flow from operations, our unitholders have direct exposure to fluctuations in the amount of cash generated by our business. We expect that the amount of our quarterly distributions, if any, will vary based on our operating cash flow during such quarter. Our quarterly cash distributions, if any, will not be stable and will vary from quarter to quarter as a direct result of variations in our operating performance and cash flow caused by fluctuations in the price of nitrogen fertilizers and in the amount of forward and prepaid sales we have in any given quarter. Such variations in the amount of our quarterly distributions may be significant. Unlike most publicly traded partnerships, we do not have a minimum quarterly distribution or employ structures intended to consistently maintain or increase distributions over time. The board of directors of our general partner may change our distribution policy at any time and from time to time. Our partnership agreement does not require us to pay cash distributions on a quarterly or other basis. In addition, the board of directors of our</p> |

general partner may be required to or elect

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to eliminate our distributions at any time during periods of reduced prices or demand for our nitrogen fertilizer products, among other reasons. Please see Risk Factors.

Since the closing of our Initial Public Offering in April 2011, we paid cash distributions to holders of our common units of \$0.407 per unit, or \$29.7 million in the aggregate, on August 12, 2011, \$0.572 per unit, or \$41.8 million in the aggregate, on November 14, 2011, and \$0.588 per unit, or \$42.9 million in the aggregate, on February 14, 2012.

Incentive Distribution Rights (IDRs)

None.

Subordination Period

None.

Issuance of additional units

Our partnership agreement authorizes us to issue an unlimited number of additional units and rights to buy units for the consideration and on the terms and conditions determined by the board of directors of our general partner without the approval of our unitholders. See Common Units Eligible for Future Sale and The Partnership Agreement Issuance of Additional Partnership Interests.

Limited voting rights

Our general partner manages and operates us. Unlike the holders of common stock in a corporation, you will have only limited voting rights on matters affecting our business. You will have no right to elect our general partner or our general partner's directors on an annual or other continuing basis. Our general partner may be removed by a vote of the holders of at least 66²/₃% of the outstanding common units, including any common units owned by our general partner and its affiliates (including Coffeyville Resources, a wholly-owned subsidiary of CVR Energy), voting together as a single class. Upon completion of this offering, our general partner and its affiliates, through Coffeyville Resources, will own an aggregate of approximately 56.0% of our outstanding common units. This will give Coffeyville Resources the ability to prevent removal of our general partner. See The Partnership Agreement Voting Rights.

Call right

If at any time our general partner and its affiliates (including Coffeyville Resources) own more than 80% of the common units, our general partner will have the right, but not the obligation, to purchase all, but not less than all, of the common units held by public unitholders at a price not less than their then-current market price, as calculated pursuant to the terms of our Partnership Agreement. See The Partnership Agreement Call Right.

Material U.S. Federal Income Tax Consequences

For a discussion of material U.S. federal income tax consequences that may be relevant to prospective unitholders, see Material U.S. Federal Income Tax Consequences.

Exchange Listing

Our common units are listed on the New York Stock Exchange under the symbol UAN.

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Risk Factors

See Risk Factors beginning on page 17 of this prospectus for a discussion of factors that you should carefully consider before deciding to invest in our common units.

Depending on market conditions at the time of pricing of this offering and other considerations, the Selling Unitholder may sell fewer or more common units than the number set forth on the cover page of this prospectus.

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Organizational Structure

The following chart provides a simplified overview of our organizational structure as of the closing of this offering, assuming the underwriters do not exercise their option to purchase additional common units in full. If the underwriters exercise their option to purchase additional common units in full, the Selling Unitholder would own 54.0% of the common units and the public would own 46.0% of the common units.

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Summary Historical Consolidated Financial Information

The summary consolidated financial information presented below under the caption Statement of Operations Data for the years ended December 31, 2011, 2010 and 2009, and the summary consolidated financial information presented below under the caption Balance Sheet Data as of December 31, 2011 and 2010, have been derived from our audited consolidated financial statements incorporated by reference into this prospectus from our 2011 Form 10-K, which consolidated financial statements have been audited by KPMG LLP, independent registered public accounting firm. The summary consolidated financial information presented below under the caption Balance Sheet Date as of December 31, 2009 has been derived from our audited consolidated financial statements not included or incorporated into this prospectus.

Our consolidated financial statements include certain costs of CVR Energy that were incurred on our behalf. These costs, which are reflected in selling, general and administrative expenses (exclusive of depreciation and amortization) and direct operating expenses (exclusive of depreciation and amortization), are billed to us pursuant to a services agreement entered into in October 2007 and amended in connection with our Initial Public Offering that is a related party transaction. For the period of time prior to the services agreement, the consolidated financial statements include an allocation of costs and certain other amounts in order to account for a reasonable share of expenses, so that the accompanying consolidated financial statements reflect substantially all of our costs of doing business. The amounts charged or allocated to us are not necessarily indicative of the costs that we would have incurred had we operated as a stand-alone company for all periods presented.

The historical data presented below has been derived from financial statements that have been prepared using accounting principles generally accepted in the United States, or GAAP. This data should be read in conjunction with, and is qualified in its entirety by reference to, the financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations incorporated by reference into this prospectus from our 2011 Form 10-K.

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| | Year Ended December 31, 2011 | Historical Year Ended December 31, 2010 | Year Ended December 31, 2009 |
|--|---------------------------------------|--|------------------------------------|
| (dollars in millions, except per unit data and as otherwise indicated) | | | |
| Statement of Operations Data: | | | |
| Net sales ⁽¹⁾ | \$ 302.9 | \$ 180.5 | \$ 208.4 |
| Cost of product sold Affiliate ⁽³⁾ | 11.7 | 5.8 | 9.5 |
| Cost of product sold Third Party ⁽³⁾ | 30.8 | 28.5 | 32.7 |
| | 42.5 | 34.3 | 42.2 |
| Direct operating expenses Affiliate ⁽³⁾ | 1.2 | 2.3 | 2.1 |
| Direct operating expenses Third Party ⁽³⁾ | 85.3 | 84.4 | 82.4 |
| | 86.5 | 86.7 | 84.5 |
| Insurance recovery business interruption | (3.4) | | |
| Selling, general and administrative expenses Affiliate ⁽³⁾ | 16.5 | 16.7 | 12.3 |
| Selling, general and administrative expenses Third Party ⁽³⁾ | 5.7 | 3.9 | 1.8 |
| | 22.2 | 20.6 | 14.1 |
| Depreciation and amortization ⁽⁴⁾ | 18.9 | 18.5 | 18.7 |
| Operating income | \$ 136.2 | \$ 20.4 | \$ 48.9 |
| Interest (expense) and other financing costs | (4.0) | | |
| Interest Income ⁽⁵⁾ | | 13.1 | 9.0 |
| Other income (expense) | 0.2 | (0.2) | |
| Gain (loss) on derivatives | | | |
| Income before income taxes | \$ 132.4 | \$ 33.3 | \$ 57.9 |
| Income tax expense | | | |
| Net income | \$ 132.4 | \$ 33.3 | \$ 57.9 |
| Available cash for distribution ⁽⁶⁾ | \$ 114.4 | | |
| Net income per common unit basic ⁽⁷⁾ | \$ 1.48 | | |
| Net income per common unit diluted ⁽⁷⁾ | \$ 1.48 | | |
| Weighted-average common units outstanding: | | | |
| Basic | 73,008 | | |
| Diluted | 73,073 | | |
| Financial and Other Data: | | | |
| Cash flows provided by operating activities | 139.8 | 75.9 | 85.5 |
| Cash flows (used in) investing activities | (16.4) | (9.0) | (13.4) |
| Cash flows (used in) financing activities | 70.8 | (29.6) | (75.8) |
| EBITDA ⁽⁸⁾ | 155.3 | 38.7 | 67.6 |
| Capital expenditures for property, plant and equipment | 19.1 | 10.1 | 13.4 |
| Key Operating Data: | | | |
| Product pricing (plant gate) (dollars per ton) ⁽⁹⁾ : | | | |
| Ammonia | 579 | \$ 361 | \$ 314 |
| UAN | 284 | 179 | 198 |
| Pet coke cost (dollars per ton) ⁽¹⁰⁾ : | | | |
| Third-party | 45 | 40 | 37 |
| CVR Energy | 28 | 11 | 22 |
| Production (thousand tons): | | | |
| Ammonia (gross produced) ⁽¹¹⁾ | 411.2 | 392.7 | 435.2 |
| Ammonia (net available for sale) ⁽¹¹⁾ | 116.8 | 155.6 | 156.6 |
| UAN | 714.1 | 578.3 | 677.7 |
| On-stream factors ⁽¹²⁾ : | | | |
| Gasifier | 99.0% | 89.0% | 97.4% |
| Ammonia | 97.7% | 87.7% | 96.5% |
| UAN | 95.5% | 80.8% | 94.1% |
| Balance Sheet Data: | | | |
| Cash and cash equivalents | \$ 237.0 | \$ 42.7 | \$ 5.4 |
| Working capital | 229.5 | 27.1 | 135.5 |

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| | | | |
|--------------------------------------|-------|-------|-------|
| Total assets | 659.3 | 452.2 | 551.5 |
| Total debt including current portion | 125.0 | | |
| Partners' capital | 489.5 | 402.2 | 519.9 |

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(1) Below are the components of Net sales:

| | Year Ended December 31, | | |
|--|-------------------------|-----------------|-----------------|
| | 2011 | 2010 | 2009 |
| Reconciliation to net sales (in millions): | | | |
| Sales net plant gate | \$ 266.6 | \$ 163.4 | \$ 186.3 |
| Freight in revenue | 22.1 | 17.0 | 21.3 |
| Hydrogen and other gases revenue | 14.2 | 0.1 | 0.8 |
| Total net sales | \$ 302.9 | \$ 180.5 | \$ 208.4 |

(2) Amounts shown are exclusive of depreciation and amortization.

(3) Our direct operating expenses (exclusive of depreciation and amortization) and selling, general and administrative expenses (exclusive of depreciation and amortization) for the years ended December 31, 2011, 2010 and 2009 include a charge related to CVR Energy's share-based compensation expense allocated to us by CVR Energy for financial reporting purposes in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, 718 *Compensation - Stock Compensation*, or ASC 718. We are not responsible for the payment of cash related to any share-based compensation allocated to us by CVR Energy. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Share-Based Compensation incorporated by reference into this prospectus from our 2011 Form 10-K.

The charges were:

| | Year | Historical | |
|---|-------------------------------|---|------------------------------------|
| | Ended December 31, 2011 | Year Ended December 31, 2010 (in millions) | Year Ended December 31, 2009 |
| Direct operating expenses (exclusive of depreciation and amortization) | \$ 0.5 | \$ 0.7 | \$ 0.2 |
| Selling, general and administrative expenses (exclusive of depreciation and amortization) | 6.8 | 8.3 | 3.0 |
| Total | \$ 7.3 | \$ 9.0 | \$ 3.2 |

(4) Depreciation and amortization is comprised of the following components as excluded from direct operating expenses and selling, general and administrative expenses:

| | Year | Historical | |
|--|-------------------------------|------------------------------------|------------------------------------|
| | Ended December 31, 2011 | Year Ended December 31, 2010 | Year Ended December 31, 2009 |

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| | (in millions) | | |
|--|---------------|---------|---------|
| Depreciation and amortization excluded from direct operating expenses | \$ 18.8 | \$ 18.5 | \$ 18.7 |
| Depreciation and amortization from cost of product sold | \$ 0.1 | | |
| Depreciation and amortization excluded from selling, general and administrative expenses | | | |
| Total depreciation and amortization | \$ 18.9 | \$ 18.5 | \$ 18.7 |

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- (5) Interest income for the years ended December 31, 2010 and 2009 is primarily attributable to a due from affiliate balance owed to us by Coffeyville Resources as a result of affiliate loans. The due from affiliate balance was distributed to Coffeyville Resources in December 2010. Accordingly, such amounts are no longer owed to us.
- (6) Available cash for distribution is generally equal to our cash flow from operations for the quarter, less cash needed for maintenance capital expenditures, debt service and other contractual obligations, and reserves for future operating or capital needs that our board of directors of our general partner deems necessary or appropriate. For the year ended December 31, 2011, available cash for distribution is calculated for the period beginning at the closing of our Initial Public Offering (April 13, 2011) through December 31, 2011. The Partnership also retains the cash on hand associated with prepaid sales at each quarter end for future distribution to common unitholders based upon the recognition into income of the prepaid sales as product is delivered.
- (7) We have omitted net income per unitholder during the period we operated as a partnership through the closing of our Initial Public Offering because during those periods we operated under a different capital structure than what we are operating under following the closing of our Initial Public Offering, and, therefore, the information is not meaningful. Per unit data for the twelve months ending December 31, 2011 is calculated for the period beginning at the closing of our Initial Public Offering (April 13, 2011) through December 31, 2011.
- (8) EBITDA is defined as net income plus interest expense and other financing costs, income tax expense and depreciation and amortization, net of interest income.

We present EBITDA because it is a material component in our calculation of available cash. In addition, EBITDA is a material term utilized in our credit facility in order to determine our leverage ratio (ratio of debt to EBITDA) and our interest coverage ratio (ratio of EBITDA to interest expense). We are required to maintain specified levels of leverage and interest coverage each quarter, and the leverage ratio also affects the amount of interest we are required to pay. EBITDA is also used as a supplemental financial measure by management and by external users of our financial statements, such as investors and commercial banks, to assess:

the financial performance of our assets without regard to financing methods, capital structure or historical cost basis; and

our operating performance and return on invested capital compared to those of other publicly traded limited partnerships, without regard to financing methods and capital structure.

EBITDA should not be considered an alternative to net income, operating income, net cash provided by operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. EBITDA may have material limitations as a performance measure because it excludes items that are necessary elements of our costs and operations. In addition, EBITDA presented by other companies may not be comparable to our presentation, since each company may define these terms differently.

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A reconciliation of our net income to EBITDA is as follows:

| | Year Ended December 31, 2011 | Historical Year Ended December 31, 2010 (in millions) | Year Ended December 31, 2009 |
|--|---------------------------------------|--|---------------------------------------|
| Net income | \$ 132.4 | \$ 33.3 | \$ 57.9 |
| Add: | | | |
| Interest expense and other financing costs | 4.0 | | |
| Interest income | | (13.1) | (9.0) |
| Income tax expense | | | |
| Depreciation and amortization | 18.9 | 18.5 | 18.7 |
| EBITDA | \$ 155.3 | \$ 38.7 | \$ 67.6 |

- (9) Plant gate price per ton represents net sales less freight costs and hydrogen revenue (from hydrogen sales to CVR Energy's refinery) divided by product sales volume in tons in the reporting period. Plant gate price per ton is shown in order to provide a pricing measure that is comparable across the fertilizer industry.
- (10) We use approximately 1.1 tons of pet coke to produce 1.0 ton of ammonia.
- (11) The gross tons produced for ammonia represent the total ammonia produced, including ammonia produced that was upgraded into UAN. The net tons available for sale represent the ammonia available for sale that was not upgraded into UAN.
- (12) On-stream factor is the total number of hours operated divided by the total number of hours in the reporting period. Excluding the impact of the Linde air separation unit outage, the on-stream factors for the year ended December 31, 2011 would have been 99.2% for gasifier, 98.0% for ammonia and 95.7% for UAN. Excluding the impact of the Linde air separation unit outage, the rupture of the high-pressure UAN vessel and the major scheduled turnaround, the on-stream factors for the year ended December 31, 2010 would have been 97.6% for gasifier, 96.8% for ammonia and 96.1% for UAN. Excluding the Linde air separation unit outage in 2009, the on-stream factors would have been 99.3% for gasifier, 98.4% for ammonia and 96.1% for UAN for the year ended December 31, 2009.

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RISK FACTORS

You should carefully consider each of the following risks together with the other information contained or incorporated by reference in this prospectus and all of the information set forth in our filings with the SEC before deciding to invest in our common units. If any of the following risks and uncertainties develops into an actual event, our business, financial condition, cash flows or results of operations could be materially adversely affected. In that case, we might not be able to pay distributions on our common units, the trading price of our common units could decline, and you could lose all or part of your investment. Although many of our business risks are comparable to those faced by a corporation engaged in a similar business, limited partner interests are inherently different from the capital stock of a corporation and involve additional risks described below.

Risks Related to Our Business

We may not have sufficient available cash to pay any quarterly distribution on our common units. Furthermore, we are not required to make distributions to holders of our common units on a quarterly basis or otherwise, and may elect to distribute less than all of our available cash.

We may not have sufficient available cash each quarter to enable us to pay any distributions to our common unitholders. Furthermore, our partnership agreement does not require us to pay distributions on a quarterly basis or otherwise. Although our general partner's current policy is to distribute all of our available cash on a quarterly basis, the board of directors of our general partner may at any time, for any reason, change this policy, decrease the amount of distributions we pay or decide not to pay cash distributions on a quarterly basis or any other basis. The amount of cash we will be able to distribute on our common units principally depends on the amount of cash we generate from our operations, which is directly dependent upon the operating margins we generate, which have been volatile historically. Our operating margins are significantly affected by the market-driven UAN and ammonia prices we are able to charge our customers and our pet coke-based gasification production costs, as well as seasonality, weather conditions, governmental regulation, unscheduled maintenance or downtime at our facilities and global and domestic demand for nitrogen fertilizer products, among other factors. In addition:

The amount of distributions we pay, if any, and the decision to make any distribution at all will be determined by the board of directors of our general partner, whose interests may differ from those of our common unitholders. Our general partner has limited fiduciary and contractual duties, which may permit it to favor its own interests or the interests of CVR Energy to the detriment of our common unitholders.

Our credit facility, and any credit facility or other debt instruments we enter into in the future, may limit the distributions that we can make. Our credit facility provides that we can make distributions to holders of our common units, but only if we are in compliance with our leverage ratio and interest coverage ratio covenants on a pro forma basis after giving effect to any distribution, and there is no default or event of default under the facility. In addition, any future credit facility may contain other financial tests and covenants that we must satisfy. Any failure to comply with these tests and covenants could result in the lenders prohibiting distributions by us.

The amount of available cash for distribution to our unitholders depends primarily on our cash flow, and not solely on our profitability, which is affected by non-cash items. As a result, we may make distributions during periods when we record losses and may not make distributions during periods when we record net income.

The actual amount of available cash depends on numerous factors, some of which are beyond our control, including UAN and ammonia prices, our operating costs, global and domestic demand for nitrogen fertilizer products, fluctuations in our working capital needs, and the amount of fees and expenses incurred by us.

For a description of additional restrictions and factors that may affect our ability to make cash distributions, see Our Cash Distribution Policy and Restrictions on Distributions.

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

Investors who are looking for an investment that will pay regular and predictable quarterly distributions should not invest in our common units. We expect our business performance will be more seasonal and volatile, and our cash flows will be less stable, than the business performance and cash flows of most publicly traded partnerships. As a result, our quarterly cash distributions will be volatile and are expected to vary quarterly and annually. Unlike most publicly traded partnerships, we do not have a minimum quarterly distribution or employ structures intended to consistently maintain or increase distributions over time. The amount of our quarterly cash distributions will be directly dependent on the performance of our business, which has been volatile historically as a result of volatile nitrogen fertilizer and natural gas prices, and seasonal and global fluctuations in demand for nitrogen fertilizer products. Because our quarterly distributions will be subject to significant fluctuations directly related to the cash we generate after payment of our fixed and variable expenses, future quarterly distributions paid to our unitholders will vary significantly from quarter to quarter and may be zero. Given the seasonal nature of our business, we expect that our unitholders will have direct exposure to fluctuations in the price of nitrogen fertilizers. In addition, from time to time we make prepaid sales, whereby we receive cash in respect of product to be delivered in a future quarter but do not record revenue in respect of such sales until product is delivered. The cash from prepaid sales increases our operating cash flow in the quarter when the cash is received; however, we do not generate net income or EBITDA in respect of prepaid sales until product is actually delivered.

The board of directors of our general partner may modify or revoke our cash distribution policy at any time at its discretion. Our partnership agreement does not require us to make any distributions at all.

Our general partner's current policy is to distribute all of the available cash we generate each quarter to unitholders of record on a pro rata basis. However, the board may change such policy at any time at its discretion and could elect not to make distributions for one or more quarters. Our partnership agreement does not require us to make any distributions at all. Accordingly, investors are cautioned not to place undue reliance on the permanence of such a policy in making an investment decision. Any modification or revocation of our cash distribution policy could substantially reduce or eliminate the amounts of distributions to our unitholders.

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

We are exposed to fluctuations in nitrogen fertilizer demand in the agricultural industry. These fluctuations historically have had and could in the future have significant effects on prices across all nitrogen fertilizer products and, in turn, our financial condition, cash flows and results of operations, which could result in significant volatility or material reductions in the price of our common units or an inability to make quarterly cash distributions on our common units.

Nitrogen fertilizer products are commodities, the price of which can be highly volatile. The price of nitrogen fertilizer products depend on a number of factors, including general economic conditions, cyclical trends in end-user markets, supply and demand imbalances, and weather conditions, which have a greater relevance because of the seasonal nature of fertilizer application. If seasonal demand exceeds the projections on which we base production, our customers may acquire nitrogen fertilizer products from our competitors, and our profitability will be negatively impacted. If seasonal demand is less than we expect, we will be left with excess inventory that will have to be stored or liquidated.

Demand for nitrogen fertilizer products is dependent on demand for crop nutrients by the global agricultural industry. Nitrogen-based fertilizers are currently in high demand, driven by a growing world population, changes in dietary habits and an expanded use of corn for the production of ethanol. Supply is affected by available capacity and operating rates, raw material costs, government policies and global trade. A decrease in nitrogen fertilizer prices would have a material adverse effect on our business, cash flow and ability to make distributions.

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Our internally generated cash flows and other sources of liquidity may not be adequate for our capital needs. As a result, we may not be able to pay any cash distributions to our unitholders and the trading price of our common units may be adversely impacted.

If we cannot generate adequate cash flow or otherwise secure sufficient liquidity to meet our working capital needs or support our short-term and long-term capital requirements, we may be unable to meet our debt obligations, pursue our business strategies or comply with certain environmental standards, which would have a material adverse effect on our business and results of operations. In addition, if we cannot generate adequate cash flow, we may not be able to pay any cash distributions to our unitholders or may be required to decrease the amount of distributions we pay and the trading price of our common units may be adversely impacted. As of December 31, 2011, we had cash and cash equivalents of \$237.0 million and \$25.0 million available under our credit facility.

The costs associated with operating our nitrogen fertilizer plant are largely fixed. If nitrogen fertilizer prices fall below a certain level, we may not generate sufficient revenue to operate profitably or cover our costs and our ability to make distributions will be adversely impacted.

Unlike our competitors, whose primary costs are related to the purchase of natural gas and whose costs are therefore largely variable, we have largely fixed costs that are not dependent on the price of natural gas because we use pet coke as the primary feedstock in our nitrogen fertilizer plant. As a result of the fixed cost nature of our operations, downtime, interruptions or low productivity due to reduced demand, adverse weather conditions, equipment failure, a decrease in nitrogen fertilizer prices or other causes can result in significant operating losses, which would have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

A decline in natural gas prices could impact our relative competitive position when compared to other nitrogen fertilizer producers.

Most nitrogen fertilizer manufacturers rely on natural gas as their primary feedstock, and the cost of natural gas is a large component of the total production cost for natural gas-based nitrogen fertilizer manufacturers. The dramatic increase in nitrogen fertilizer prices in recent years has not been the direct result of an increase in natural gas prices, but rather the result of increased demand for nitrogen-based fertilizers due to historically low stocks of global grains and a surge in the prices of corn and wheat, the primary crops in our region. This increase in demand for nitrogen-based fertilizers has created an environment in which nitrogen fertilizer prices have disconnected from their traditional correlation with natural gas prices. A decrease in natural gas prices would benefit our competitors and could disproportionately impact our operations by making us less competitive with natural gas-based nitrogen fertilizer manufacturers. A decline in natural gas prices could impair our ability to compete with other nitrogen fertilizer producers who utilize natural gas as their primary feedstock, and therefore have a material adverse impact on the trading price of our common units. In addition, if natural gas prices in the United States were to decline to a level that prompts those U.S. producers who have permanently or temporarily closed production facilities to resume fertilizer production, this would likely contribute to a global supply/demand imbalance that could negatively affect nitrogen fertilizer prices and therefore have a material adverse effect on our results of operations, financial condition, cash flows, and ability to make cash distributions.

Any decline in U.S. agricultural production or limitations on the use of nitrogen fertilizer for agricultural purposes could have a material adverse effect on the sales of nitrogen fertilizer, and on our results of operations, financial condition and ability to make cash distributions.

Conditions in the U.S. agricultural industry significantly impact our operating results. The U.S. agricultural industry can be affected by a number of factors, including weather patterns and field conditions, current and projected grain inventories and prices, domestic and international demand for U.S. agricultural products and U.S. and foreign policies regarding trade in agricultural products.

State and federal governmental policies, including farm and biofuel subsidies and commodity support programs, as well as the prices of fertilizer products, may also directly or indirectly influence the number of acres

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planted, the mix of crops planted and the use of fertilizers for particular agricultural applications. Developments in crop technology, such as nitrogen fixation (the conversion of atmospheric nitrogen into compounds that plants can assimilate), could also reduce the use of chemical fertilizers and adversely affect the demand for nitrogen fertilizer. In addition, from time to time various state legislatures have considered limitations on the use and application of chemical fertilizers due to concerns about the impact of these products on the environment.

A major factor underlying the current high level of demand for our nitrogen-based fertilizer products is the expanding production of ethanol. A decrease in ethanol production, an increase in ethanol imports or a shift away from corn as a principal raw material used to produce ethanol could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

A major factor underlying the current high level of demand for our nitrogen-based fertilizer products is the expanding production of ethanol in the United States and the expanded use of corn in ethanol production. Ethanol production in the United States is highly dependent upon a myriad of federal and state legislation and regulations, and is made significantly more competitive by various federal and state incentives, mandated production of ethanol pursuant to federal renewable fuel standards, and permitted increases in ethanol percentages in gasoline blends, such as E15, a gasoline blend with 15% ethanol. However, a number of factors, including a continuing food versus fuel debate and studies showing that expanded ethanol production may increase the level of greenhouse gases in the environment, have resulted in calls to reduce subsidies for ethanol, allow increased ethanol imports and adopt temporary waivers of the current renewable fuel standard levels, any of which could have an adverse effect on corn-based ethanol production, planted corn acreage and fertilizer demand. Therefore, ethanol incentive programs may not be renewed, or if renewed, they may be renewed on terms significantly less favorable to ethanol producers than current incentive programs. For example, Congress allowed both the 45 cents per gallon ethanol tax credit and the 54 cents per gallon ethanol import tariff to expire on December 31, 2011. Similarly, the EPA's waivers partially approving the use of E15 could be revised, rescinded or delayed. These actions could have a material adverse effect on ethanol production in the United States, which could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

Further, most ethanol is currently produced from corn and other raw grains, such as milo or sorghum especially in the Midwest. The current trend in ethanol production research is to develop an efficient method of producing ethanol from cellulose-based biomass, such as agricultural waste, forest residue, municipal solid waste and energy crops (plants grown for use to make biofuels or directly exploited for their energy content). If an efficient method of producing ethanol from cellulose-based biomass is developed, the demand for corn may decrease significantly, which could reduce demand for our nitrogen fertilizer products and have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

Nitrogen fertilizer products are global commodities, and we face intense competition from other nitrogen fertilizer producers.

Our business is subject to intense price competition from both U.S. and foreign sources, including competitors operating in the Persian Gulf, the Asia-Pacific region, the Caribbean, Russia and the Ukraine. Fertilizers are global commodities, with little or no product differentiation, and customers make their purchasing decisions principally on the basis of delivered price and availability of the product. Furthermore, in recent years the price of nitrogen fertilizer in the United States has been substantially driven by pricing in the global fertilizer market. We compete with a number of U.S. producers and producers in other countries, including state-owned and government-subsidized entities. Some competitors have greater total resources and are less dependent on earnings from fertilizer sales, which makes them less vulnerable to industry downturns and better positioned to pursue new expansion and development opportunities. Competitors utilizing different corporate structures may be better able to withstand lower cash flows than we can as a limited partnership. Our competitive position could suffer to the extent we are not able to expand our own resources either through investments in new or existing operations or through acquisitions, joint ventures or partnerships. An inability to compete successfully could result in the loss of customers, which could adversely affect our sales and profitability, and our ability to make cash distributions.

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Adverse weather conditions during peak fertilizer application periods may have a material adverse effect on our results of operations, financial condition and ability to make cash distributions, because our agricultural customers are geographically concentrated.

Our sales of nitrogen fertilizer products to agricultural customers are concentrated in the Great Plains and Midwest states and are seasonal in nature. For example, we generate greater net sales and operating income in the first half of the year, which we refer to as the planting season, compared to the second half of the year. Accordingly, an adverse weather pattern affecting agriculture in these regions or during the planting season could have a negative effect on fertilizer demand, which could, in turn, result in a material decline in our net sales and margins and otherwise have a material adverse effect on our results of operations, financial condition and ability to make cash distributions. Our quarterly results may vary significantly from one year to the next due largely to weather-related shifts in planting schedules and purchase patterns. In addition, given the seasonal nature of our business, we expect that our distributions will be volatile and will vary quarterly and annually.

Our business is seasonal, which may result in our carrying significant amounts of inventory and seasonal variations in working capital. Our inability to predict future seasonal nitrogen fertilizer demand accurately may result in excess inventory or product shortages.

Our business is seasonal. Farmers tend to apply nitrogen fertilizer during two short application periods, one in the spring and the other in the fall. The strongest demand for our products typically occurs during the planting season. In contrast, we and other nitrogen fertilizer producers generally produce our products throughout the year. As a result, we and our customers generally build inventories during the low demand periods of the year in order to ensure timely product availability during the peak sales seasons. The seasonality of nitrogen fertilizer demand results in our sales volumes and net sales being highest during the North American spring season and our working capital requirements typically being highest just prior to the start of the spring season.

If seasonal demand exceeds our projections, we will not have enough product and our customers may acquire products from our competitors, which would negatively impact our profitability. If seasonal demand is less than we expect, we will be left with excess inventory and higher working capital and liquidity requirements.

The degree of seasonality of our business can change significantly from year to year due to conditions in the agricultural industry and other factors. As a consequence of our seasonality, we expect that our distributions will be volatile and will vary quarterly and annually.

Our operations are dependent on third-party suppliers, including Linde, which owns an air separation plant that provides oxygen, nitrogen and compressed dry air to our gasifiers, and the City of Coffeyville, which supplies us with electricity. A deterioration in the financial condition of a third-party supplier, a mechanical problem with the air separation plant, or the inability of a third-party supplier to perform in accordance with its contractual obligations could have a material adverse effect on our results of operations, financial condition and our ability to make cash distributions.

Our operations depend in large part on the performance of third-party suppliers, including Linde for the supply of oxygen, nitrogen and compressed dry air, and the City of Coffeyville for the supply of electricity. With respect to Linde, our operations could be adversely affected if there were a deterioration in Linde's financial condition such that the operation of the air separation plant located adjacent to our nitrogen fertilizer plant was disrupted. Additionally, this air separation plant in the past has experienced numerous short-term interruptions, causing interruptions in our gasifier operations. With respect to electricity, we recently settled litigation with the City of Coffeyville regarding the price they sought to charge us for electricity and entered into an amended and restated electric services agreement which gives us an option to extend the term of such agreement through June 30, 2024. Should Linde, the City of Coffeyville or any of our other third-party suppliers fail to perform in accordance with existing contractual arrangements, our operation could be forced to halt. Alternative sources of supply could be difficult to obtain. Any shutdown of our operations, even for a limited period, could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

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Our results of operations, financial condition and ability to make cash distributions may be adversely affected by the supply and price levels of pet coke. Failure by CVR Energy to continue to supply us with pet coke (to the extent third-party pet coke is unavailable or available only at higher prices), or CVR Energy's imposition of an obligation to provide it with security for our payment obligations, could negatively impact our results of operations.

Our profitability is directly affected by the price and availability of pet coke obtained from CVR Energy's Coffeyville, Kansas crude oil refinery pursuant to a long-term agreement and pet coke purchased from third parties (with respect to which we have no contractual arrangements), both of which vary based on market prices. Pet coke is a key raw material used by us in the manufacture of nitrogen fertilizer products. If pet coke costs increase, we may not be able to increase our prices to recover these increased costs, because market prices for our nitrogen fertilizer products are not correlated with pet coke prices.

Based on our current output, we obtain most (over 70% on average during the last five years) of the pet coke we need from CVR Energy's adjacent crude oil refinery, and procure the remainder on the open market. The price that we pay CVR Energy for pet coke is based on the lesser of a pet coke price derived from the price we receive for UAN (subject to a UAN-based price ceiling and floor) and a pet coke index price. In most cases, the price we pay CVR Energy will be lower than the price which we would otherwise pay to third parties. Pet coke prices could significantly increase in the future. Should CVR Energy fail to perform in accordance with our existing agreement, we would need to purchase pet coke from third parties on the open market, which could negatively impact our results of operations to the extent third-party pet coke is unavailable or available only at higher prices.

We may not be able to maintain an adequate supply of pet coke. In addition, we could experience production delays or cost increases if alternative sources of supply prove to be more expensive or difficult to obtain. We currently purchase 100% of the pet coke produced by CVR Energy's Coffeyville refinery. Accordingly, if we increase our production, we will be more dependent on pet coke purchases from third-party suppliers at open market prices. There is no assurance that we would be able to purchase pet coke on comparable terms from third parties or at all.

Under our pet coke agreement with CVR Energy, we may become obligated to provide security for our payment obligations if, in CVR Energy's sole judgment, there is a material adverse change in our financial condition or liquidity position or in our ability to pay for our pet coke purchases. See [Certain Relationships and Related Party Transactions](#) [Agreements with CVR Energy](#) [Coke Supply Agreement](#).

We rely on third-party providers of transportation services and equipment, which subjects us to risks and uncertainties beyond our control that may have a material adverse effect on our results of operations, financial condition and ability to make distributions.

We rely on railroad and trucking companies to ship finished products to our customers. We also lease railcars from railcar owners in order to ship our finished products. These transportation operations, equipment and services are subject to various hazards, including extreme weather conditions, work stoppages, delays, spills, derailments and other accidents and other operating hazards.

These transportation operations, equipment and services are also subject to environmental, safety and other regulatory oversight. Due to concerns related to terrorism or accidents, local, state and federal governments could implement new regulations affecting the transportation of our finished products. In addition, new regulations could be implemented affecting the equipment used to ship our finished products.

Any delay in our ability to ship our finished products as a result of these transportation companies' failure to operate properly, the implementation of new and more stringent regulatory requirements affecting transportation operations or equipment, or significant increases in the cost of these services or equipment could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

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Our facility faces operating hazards and interruptions, including unplanned maintenance or downtime. We could face potentially significant costs to the extent these hazards or interruptions cause a material decline in production and are not fully covered by our existing insurance coverage. Insurance companies that currently insure companies in our industry may cease to do so, may change the coverage provided or may substantially increase premiums in the future.

Our operations, located at a single location, are subject to significant operating hazards and interruptions. Any significant curtailing of production at our nitrogen fertilizer plant or individual units within our plant could result in materially lower levels of revenues and cash flow for the duration of any shutdown and materially adversely impact our ability to make cash distributions. Operations at our nitrogen fertilizer plant could be curtailed or partially or completely shut down, temporarily or permanently, as the result of a number of circumstances, most of which are not within our control, such as:

unscheduled maintenance or catastrophic events such as a major accident or fire, damage by severe weather, flooding or other natural disaster;

labor difficulties that result in a work stoppage or slowdown;

environmental proceedings or other litigation that compel the cessation of all or a portion of the operations at our nitrogen fertilizer plant;

increasingly stringent environmental regulations;

a disruption in the supply of pet coke to our nitrogen fertilizer plant; and

a governmental ban or other limitation on the use of nitrogen fertilizer products, either generally or specifically those manufactured at our plant.

The magnitude of the effect on us of any shutdown will depend on the length of the shutdown and the extent of the plant operations affected by the shutdown. Our plant requires a scheduled maintenance turnaround every two years, which generally lasts up to three weeks. A major accident, fire, flood, or other event could damage our facility or the environment and the surrounding community or result in injuries or loss of life. For example, the flood that occurred during the weekend of June 30, 2007 shut down our facility for approximately two weeks and required significant expenditures to repair damaged equipment, and our UAN plant was out of service for approximately six weeks after the rupture of a high pressure vessel in September 2010, which had a significant impact on our revenues and cash flows for the fourth quarter of 2010. Moreover, our facility is located adjacent to CVR Energy's Coffeyville, Kansas refinery, and a major accident or disaster at the refinery could adversely affect our operations. Planned and unplanned maintenance could reduce our net income, cash flow and ability to make cash distributions during the period of time that any of our units is not operating. Any unplanned future downtime could have a material adverse effect on our ability to make cash distributions to our unitholders.

If we experience significant property damage, business interruption, environmental claims or other liabilities, our business could be materially adversely affected to the extent the damages or claims exceed the amount of valid and collectible insurance available to us. We are currently insured under CVR Energy's casualty, environmental, property and business interruption insurance policies. The property and business interruption insurance policies have a \$1.0 billion limit, with a \$2.5 million deductible for physical damage and a 45- to 60-day waiting period (depending on the insurance carrier) before losses resulting from business interruptions are recoverable. The policies also contain exclusions and conditions that could have a materially adverse impact on our ability to receive indemnification thereunder, as well as customary sub-limits for particular types of losses. For example, the current property policy contains a specific sub-limit of \$150.0 million for damage caused by flooding. We are fully exposed to all losses in excess of the applicable limits and sub-limits and for losses due to business interruptions of fewer than 45 to 60 days.

The nitrogen fertilizer industry is highly capital intensive, and the entire or partial loss of facilities can result in significant costs to participants, such as us, and their insurance carriers. Market factors, including but not limited to catastrophic perils that impact our industry, significant

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changes in the investment returns of insurance companies, insurance company solvency trends and industry loss ratios and loss trends, can negatively impact the future cost and availability of insurance. There can be no assurance that CVR Energy or we will be able to buy and maintain insurance with adequate limits, reasonable pricing terms and conditions.

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Deliberate, malicious acts, including terrorism, could damage our facilities, disrupt our operations or injure employees, contractors, customers or the public and result in liability to us.

Intentional acts of destruction could hinder our sales or production and disrupt our supply chain. Our facilities could be damaged or destroyed, reducing our operational production capacity and requiring us to repair or replace our facilities at substantial cost. Employees, contractors and the public could suffer substantial physical injury for which we could be liable. Governmental authorities may impose security or other requirements that could make our operations more difficult or costly. The consequences of any such actions could adversely affect our operating results, financial condition and ability to make distributions.

Our results of operations are highly dependent upon and fluctuate based upon business and economic conditions and governmental policies affecting the agricultural industry. These factors are outside of our control and may significantly affect our profitability.

Our results of operations are highly dependent upon business and economic conditions and governmental policies affecting the agricultural industry, which we cannot control. The agricultural products business can be affected by a number of factors. The most important of these factors in the United States are:

weather patterns and field conditions (particularly during periods of traditionally high nitrogen fertilizer consumption);

quantities of nitrogen fertilizers imported to and exported from North America;

current and projected grain inventories and prices, which are heavily influenced by U.S. exports and world-wide grain markets; and

U.S. governmental policies, including farm and biofuel policies, which may directly or indirectly influence the number of acres planted, the level of grain inventories, the mix of crops planted or crop prices.

International market conditions, which are also outside of our control, may also significantly influence our operating results. The international market for nitrogen fertilizers is influenced by such factors as the relative value of the U.S. dollar and its impact upon the cost of importing nitrogen fertilizers, foreign agricultural policies, the existence of, or changes in, import or foreign currency exchange barriers in certain foreign markets, changes in the hard currency demands of certain countries and other regulatory policies of foreign governments, as well as the laws and policies of the United States affecting foreign trade and investment.

Ammonia can be very volatile and extremely hazardous. Any liability for accidents involving ammonia or other products we produce or transport that cause severe damage to property or injury to the environment and human health could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions. In addition, the costs of transporting ammonia could increase significantly in the future.

We manufacture, process, store, handle, distribute and transport ammonia, which can be very volatile and extremely hazardous. Major accidents or releases involving ammonia could cause severe damage or injury to property, the environment and human health, as well as a possible disruption of supplies and markets. Such an event could result in civil lawsuits, fines, penalties and regulatory enforcement proceedings, all of which could lead to significant liabilities. Any damage to persons, equipment or property or other disruption of our ability to produce or distribute our products could result in a significant decrease in operating revenues and significant additional cost to replace or repair and insure our assets, which could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions. We periodically experience minor releases of ammonia related to leaks from our equipment. We experienced more significant ammonia releases in August 2007 due to the failure of a high-pressure pump and in August and September 2010 due to a heat exchanger leak and a UAN vessel rupture. Similar events may occur in the future.

In addition, we may incur significant losses or costs relating to the operation of our railcars used for the purpose of carrying various products, including ammonia. Due to the dangerous and potentially toxic nature of

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the cargo, in particular ammonia, on board railcars, a railcar accident may result in fires, explosions and pollution. These circumstances may result in sudden, severe damage or injury to property, the environment and human health. In the event of pollution, we may be held responsible even if we are not at fault and we complied with the laws and regulations in effect at the time of the accident. Litigation arising from accidents involving ammonia and other products we produce or transport may result in our being named as a defendant in lawsuits asserting claims for large amounts of damages, which could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

Given the risks inherent in transporting ammonia, the costs of transporting ammonia could increase significantly in the future. Ammonia is most typically transported by pipeline and railcar. A number of initiatives are underway in the railroad and chemical industries that may result in changes to railcar design in order to minimize railway accidents involving hazardous materials. In addition, in the future, laws may more severely restrict or eliminate our ability to transport ammonia via railcar. If any railcar design changes are implemented, or if accidents involving hazardous freight increase the insurance and other costs of railcars, our freight costs could significantly increase.

Environmental laws and regulations could require us to make substantial capital expenditures to remain in compliance or to remediate current or future contamination that could give rise to material liabilities.

Our operations are subject to a variety of federal, state and local environmental laws and regulations relating to the protection of the environment, including those governing the emission or discharge of pollutants into the environment, product specifications and the generation, treatment, storage, transportation, disposal and remediation of solid and hazardous waste and materials. Violations of these laws and regulations or permit conditions can result in substantial penalties, injunctive orders compelling installation of additional controls, civil and criminal sanctions, permit revocations or facility shutdowns.

In addition, new environmental laws and regulations, new interpretations of existing laws and regulations, increased governmental enforcement of laws and regulations or other developments could require us to make additional unforeseen expenditures. Many of these laws and regulations are becoming increasingly stringent, and the cost of compliance with these requirements can be expected to increase over time. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. These expenditures or costs for environmental compliance could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

Our facility operates under a number of federal and state permits, licenses and approvals with terms and conditions containing a significant number of prescriptive limits and performance standards in order to operate. Our facility is also required to comply with prescriptive limits and meet performance standards specific to chemical facilities as well as to general manufacturing facilities. All of these permits, licenses, approvals and standards require a significant amount of monitoring, record keeping and reporting in order to demonstrate compliance with the underlying permit, license, approval or standard. Incomplete documentation of compliance status may result in the imposition of fines, penalties and injunctive relief. Additionally, due to the nature of our manufacturing processes, there may be times when we are unable to meet the standards and terms and conditions of these permits and licenses due to operational upsets or malfunctions, which may lead to the imposition of fines and penalties or operating restrictions that may have a material adverse effect on our ability to operate our facilities and accordingly our financial performance.

Our business is subject to the occurrence of accidental spills, discharges or other releases of hazardous substances into the environment. Past or future spills related to our nitrogen fertilizer plant or transportation of products or hazardous substances from our facility may give rise to liability (including strict liability, or liability without fault, and potential cleanup responsibility) to governmental entities or private parties under federal, state or local environmental laws, as well as under common law. For example, we could be held strictly liable under the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, for past or future spills without regard to fault or whether our actions were in compliance with the law at the time of the spills. Pursuant to CERCLA and similar state statutes, we could be held liable for contamination associated with the facility we currently own and operate (whether or not such contamination occurred prior to our acquisition

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thereof), facilities we formerly owned or operated (if any) and facilities to which we transported or arranged for the transportation of wastes or byproducts containing hazardous substances for treatment, storage, or disposal. The potential penalties and cleanup costs for past or future releases or spills, liability to third parties for damage to their property or exposure to hazardous substances, or the need to address newly discovered information or conditions that may require response actions could be significant and could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

In addition, we may incur liability for alleged personal injury or property damage due to exposure to chemicals or other hazardous substances located at or released from our facility. We may also face liability for personal injury, property damage, natural resource damage or for cleanup costs for the alleged migration of contamination or other hazardous substances from our facility to adjacent and other nearby properties.

We may incur future costs relating to the off-site disposal of hazardous wastes. Companies that dispose of, or arrange for the transportation or disposal of, hazardous substances at off-site locations may be held jointly and severally liable for the costs of investigation and remediation of contamination at those off-site locations, regardless of fault. We could become involved in litigation or other proceedings involving off-site waste disposal and the damages or costs in any such proceedings could be material.

We may be unable to obtain or renew permits necessary for our operations, which could inhibit our ability to do business.

We hold numerous environmental and other governmental permits and approvals authorizing operations at our nitrogen fertilizer facility. Expansion of our operations is also predicated upon securing the necessary environmental or other permits or approvals. A decision by a government agency to deny or delay issuing a new or renewed material permit or approval, or to revoke or substantially modify an existing permit or approval, could have a material adverse effect on our ability to continue operations and on our business, financial condition, results of operations and ability to make cash distributions.

Environmental laws and regulations on fertilizer end-use and application and numeric nutrient water quality criteria could have a material adverse impact on fertilizer demand in the future.

Future environmental laws and regulations on the end-use and application of fertilizers could cause changes in demand for our products. In addition, future environmental laws and regulations, or new interpretations of existing laws or regulations, could limit our ability to market and sell our products to end users. From time to time, various state legislatures have proposed bans or other limitations on fertilizer products. In addition, a number of states have adopted or proposed numeric nutrient water quality criteria that could result in decreased demand for our fertilizer products in those states. Similarly, the United States Environmental Protection Agency (the EPA) issued a final rule establishing numeric nutrient criteria for certain Florida water bodies that may require farmers to implement best management practices, including the reduction of fertilizer use, to reduce the impact of fertilizer on water quality. Portions of the rule have been overturned and may be replaced with a new EPA rule or a state rule imposing similar numeric nutrient criteria. Such laws, regulations or interpretations could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

Climate change laws and regulations could have a material adverse effect on our results of operations, financial condition, and ability to make cash distributions.

Various regulatory and legislative measures to address greenhouse gas emissions (including CO₂, methane and nitrous oxides) are in various phases of discussion or implementation. In the aftermath of its 2009 endangerment finding that greenhouse gas emissions pose a threat to human health and welfare, the EPA has begun to regulate greenhouse gas emissions under the authority granted to it under the Clean Air Act. In October 2009, the EPA finalized a rule requiring certain large emitters of greenhouse gases to inventory and annually report their greenhouse gas emissions to the EPA. In accordance with the rule, we began monitoring our greenhouse gas emissions from our nitrogen fertilizer plant and have already reported emissions to the EPA for the year ended 2011. In May 2010, the EPA finalized the Greenhouse Gas Tailoring Rule, which established new

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greenhouse gas emissions thresholds that determine when stationary sources, such as our nitrogen fertilizer plant, must obtain permits under the Prevention of Significant Deterioration, or PSD, and Title V programs of the federal Clean Air Act. The significance of the permitting requirement is that, in cases where a new source is constructed or an existing source undergoes a major modification, the facility would need to evaluate and install best available control technology, or BACT, for its greenhouse gas emissions. A major modification resulting in a significant expansion of production at our nitrogen fertilizer plant that causes a significant increase in greenhouse gas emissions could require the installation of BACT controls. However, we do not believe that our ongoing or anticipated expansion projects would trigger the need to install BACT controls. The EPA's endangerment finding, Greenhouse Gas Tailoring Rule and certain other greenhouse gas emission rules have been challenged and will likely be subject to extensive litigation.

At the federal legislative level, Congressional passage of legislation adopting some form of federal mandatory greenhouse gas emission reduction, such as a nationwide cap-and-trade program, does not appear likely at this time, although it could be adopted at a future date. It is also possible that Congress may pass alternative climate change bills that do not mandate a nationwide cap-and-trade program and instead focus on promoting renewable energy and energy efficiency.

In addition to potential federal legislation, a number of states have adopted regional greenhouse gas initiatives to reduce CO₂ and other greenhouse gas emissions. In 2007, a group of Midwest states, including Kansas (where our nitrogen fertilizer facility is located), formed the Midwestern Greenhouse Gas Reduction Accord, which calls for the development of a cap-and-trade system to control greenhouse gas emissions and for the inventory of such emissions. However, the individual states that have signed on to the accord must adopt laws or regulations implementing the trading scheme before it becomes effective, and it is unclear whether Kansas still intends to do so.

The implementation of EPA greenhouse gas regulations or potential federal, state or regional programs to reduce greenhouse gas emissions will likely result in increased costs to (i) operate and maintain our facilities, (ii) install new emission controls on our facilities and (iii) administer and manage any greenhouse gas emissions program. Increased costs associated with compliance with any future legislation or regulation of greenhouse gas emissions, if it occurs, may have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

In addition, climate change legislation and regulations may result in increased costs not only for our business but also for agricultural producers that utilize our fertilizer products, thereby potentially decreasing demand for our fertilizer products. Decreased demand for our fertilizer products may have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

New regulations concerning the transportation of hazardous chemicals, risks of terrorism and the security of chemical manufacturing facilities could result in higher operating costs.

The costs of complying with future regulations relating to the transportation of hazardous chemicals and security associated with our nitrogen fertilizer facility may have a material adverse effect on our results of operations, financial condition and ability to make cash distributions. Targets such as chemical manufacturing facilities may be at greater risk of future terrorist attacks than other targets in the United States. The chemical industry has responded to the issues that arose in response to the terrorist attacks on September 11, 2001 by starting new initiatives relating to the security of chemical industry facilities and the transportation of hazardous chemicals in the United States. Future terrorist attacks could lead to even stronger, more costly initiatives that could result in a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

Due to our lack of asset diversification, adverse developments in the nitrogen fertilizer industry could adversely affect our results of operations and our ability to make distributions to our unitholders.

We rely exclusively on the revenues generated from our nitrogen fertilizer business. An adverse development in the nitrogen fertilizer industry would have a significantly greater impact on our operations and cash available for distribution to holders of common units than it will on other companies with a more diverse asset and product base. The largest publicly traded companies with which we compete sell a more varied range of fertilizer products.

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Our business depends on significant customers, and the loss of one or several significant customers may have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

Our business has a high concentration of customers. In the aggregate, our top five ammonia customers represented 61.3%, 44.2% and 43.9%, respectively, of our ammonia sales, and our top five UAN customers represented 49.0%, 43.3% and 44.2%, respectively, of our UAN sales, for the years ended December 31, 2011, 2010 and 2009. Given the nature of our business, and consistent with industry practice, we do not have long-term minimum purchase contracts with any of our customers. The loss of one or several of these significant customers, or a significant reduction in purchase volume by any of them, could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

There can be no assurance that the transportation costs of our competitors will not decline.

Our nitrogen fertilizer plant is located within the U.S. farm belt, where the majority of the end users of our nitrogen fertilizers grow their crops. Many of our competitors produce fertilizer outside this region and incur greater costs in transporting their products over longer distances via rail, ships and pipelines. There can be no assurance that our competitors' transportation costs will not decline or that additional pipelines will not be built, lowering the price at which our competitors can sell their products, which could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

We are subject to strict laws and regulations regarding employee and process safety, and failure to comply with these laws and regulations could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions.

Our facility is subject to the requirements of the federal Occupational Safety and Health Act, or OSHA, and comparable state statutes that regulate the protection of the health and safety of workers. In addition, OSHA and certain environmental regulations require that we maintain information about hazardous materials used or produced in our operations and that we provide this information to employees and state and local governmental authorities. Failure to comply with OSHA requirements, including general industry standards, record keeping requirements and monitoring and control of occupational exposure to regulated substances, could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions if we are subjected to significant fines or compliance costs.

Instability and volatility in the global capital, credit and commodity markets could negatively impact our business, financial condition, results of operations and ability to make cash distributions.

The global capital and credit markets have experienced extreme volatility and disruption in recent years. Our business, results of operations, financial condition and ability to make cash distributions could be negatively impacted by difficult conditions and extreme volatility in the capital, credit and commodities markets and in the global economy. These factors, combined with declining business and consumer confidence and increased unemployment, precipitated an economic recession in the United States and globally. The difficult conditions in these markets and the overall economy affect us in a number of ways. For example:

Although we believe we will have sufficient liquidity under our credit facility to run our business, under extreme market conditions there can be no assurance that such funds would be available or sufficient, and in such a case, we may not be able to successfully obtain additional financing on favorable terms, or at all.

Market volatility could exert downward pressure on the price of our common units, which may make it more difficult for us to raise additional capital and thereby limit our ability to grow.

Our credit facility contains various covenants that must be complied with, and if we are not in compliance, there can be no assurance that we would be able to successfully amend the agreement in the future. Further, any such amendment may be expensive.

Market conditions could result in our significant customers experiencing financial difficulties. We are exposed to the credit risk of our customers, and their failure to meet their financial obligations when due

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because of bankruptcy, lack of liquidity, operational failure or other reasons could result in decreased sales and earnings for us.
Our acquisition and expansion strategy involves significant risks.

One of our business strategies is to pursue acquisitions and expansion projects (including the ongoing expansion of our UAN capacity). However, acquisitions and expansions involve numerous risks and uncertainties, including intense competition for suitable acquisition targets, the potential unavailability of financial resources necessary to consummate acquisitions and expansions, difficulties in identifying suitable acquisition targets and expansion projects or in completing any transactions identified on sufficiently favorable terms, and the need to obtain regulatory or other governmental approvals that may be necessary to complete acquisitions and expansions. In addition, any future acquisitions and expansions may entail significant transaction costs, tax consequences and risks associated with entry into new markets and lines of business.

We are in the process of expanding our nitrogen fertilizer plant, which is expected to allow us the flexibility to upgrade all of our ammonia production to UAN. This expansion is premised in large part on the historically higher margin that we have received for UAN compared to ammonia. If the premium that UAN currently earns over ammonia decreases, this expansion project may not yield the economic benefits and accretive effects that we currently anticipate.

In addition to the risks involved in identifying and completing acquisitions described above, even when acquisitions are completed, integration of acquired entities can involve significant difficulties, such as:

unforeseen difficulties in the acquired operations and disruption of the ongoing operations of our business;

failure to achieve cost savings or other financial or operating objectives with respect to an acquisition;

strain on the operational and managerial controls and procedures of our business, and the need to modify systems or to add management resources;

difficulties in the integration and retention of customers or personnel and the integration and effective deployment of operations or technologies;

assumption of unknown material liabilities or regulatory non-compliance issues;

amortization of acquired assets, which would reduce future reported earnings;

possible adverse short-term effects on our cash flows or operating results; and

diversion of management's attention from the ongoing operations of our business.

In addition, in connection with any potential acquisition or expansion project, we will need to consider whether the business we intend to acquire or expansion project we intend to pursue could affect our tax treatment as a partnership for U.S. federal income tax purposes. If we are otherwise unable to conclude that the activities of the business being acquired or the expansion project would not affect our treatment as a partnership for U.S. federal income tax purposes, we could seek a ruling from the Internal Revenue Service, or IRS. Seeking such a ruling could be costly or, in the case of competitive acquisitions, place us in a competitive disadvantage compared to other potential acquirers who do not seek such a ruling. If we are unable to conclude that an activity would not affect our treatment as a partnership for U.S. federal income tax purposes, we could choose to acquire such business or develop such expansion project in a corporate subsidiary, which would subject the income related to such activity to entity-level taxation. See Tax Risks Our tax treatment depends on our status as a partnership for U.S. federal income tax purposes, as well as our not being subject to a material amount of entity-level taxation by individual states. If the IRS were to treat us as a corporation, rather than as a partnership, for U.S. federal income tax purposes or if we were to become subject to additional amounts of entity-level taxation for

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state tax purposes, then our cash available for distribution to our unitholders would be substantially reduced, likely causing a substantial reduction in the value of our common units and Material U.S. Federal Income Tax Consequences Partnership Status.

Failure to manage acquisition and expansion growth risks could have a material adverse effect on our results of operations, financial condition and ability to make cash distributions. There can be no assurance that we will

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be able to consummate any acquisitions or expansions, successfully integrate acquired entities, or generate positive cash flow at any acquired company or expansion project.

We rely on the executive officers of CVR Energy to manage many aspects of our business and affairs pursuant to a services agreement, which CVR Energy can terminate at any time after April 13, 2012, subject to a 180-day notice period.

Our future performance depends to a significant degree upon the continued contributions of CVR Energy's senior management team. We have entered into a services agreement with our general partner and CVR Energy whereby CVR Energy has agreed to provide us with the services of its senior management team as well as accounting, business operations, legal, finance and other key back-office and mid-office personnel. At any time after April 13, 2012, CVR Energy can terminate this agreement, subject to a 180-day notice period. The loss or unavailability to us of any member of CVR Energy's senior management team could negatively affect our ability to operate our business and pursue our business strategies. We do not have employment agreements with any of CVR Energy's officers and we do not maintain any key person insurance. We can provide no assurance that CVR Energy will continue to provide us the officers that are necessary for the conduct of our business nor that such provision will be on terms that are acceptable. If CVR Energy elected to terminate the agreement on 180 days' notice, we might not be able to find qualified individuals to serve as our executive officers within such 180-day period.

In addition, pursuant to the services agreement we are responsible for a portion of the compensation expense of such executive officers according to the percentage of time such executive officers spent working for us. However, the compensation of such executive officers is set by CVR Energy, and we have no control over the amount paid to such officers. The services agreement does not contain any cap on the amounts we may be required to pay CVR Energy pursuant to this agreement.

A shortage of skilled labor, together with rising labor costs, could adversely affect our results of operations and cash available for distribution to our unitholders.

Efficient production of nitrogen fertilizer using modern techniques and equipment requires skilled employees. Our nitrogen fertilizer facility relies on gasification technology that requires special expertise to operate efficiently and effectively. To the extent that the services of our key technical personnel become unavailable to us for any reason, we would be required to hire other personnel. We may not be able to locate or employ such qualified personnel on acceptable terms or at all. We face competition for these professionals from our competitors, our customers and other companies operating in our industry. If we are unable to find qualified employees, or if the cost to find qualified employees increases materially, our results of operations and cash available