

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K/A

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FILER

**Rentech Nitrogen Partners, L.P.**

CIK: [1525998](#) | IRS No.: **452714747** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **8-K/A** | Act: **34** | File No.: [001-35334](#) | Film No.: **13528627**  
SIC: **2870** Agricultural chemicals

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

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**FORM 8-K/A**

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**CURRENT REPORT**

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

**Date of Report (Date of earliest event reported): October 31, 2012**

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**RENTECH NITROGEN PARTNERS, L.P.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-35334**  
(Commission  
File Number)

**45-2714747**  
(IRS Employer  
Identification No.)

**10877 Wilshire Boulevard, Suite 600**  
**Los Angeles, California**  
(Address of principal executive offices)

**90024**  
(Zip Code)

**Registrant's telephone number, including area code: (310) 517-9800**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

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

This Amendment No. 1 to the Current Report on Form 8-K (this “Form 8-K/A”) of Rentech Nitrogen Partners, L.P., a Delaware limited partnership (the “Partnership”), which was originally filed with the Securities and Exchange Commission on November 5, 2012 (the “Form 8-K”), is being filed solely to include the financial statements and pro forma financial information required by Item 9.01 which were excluded from the Form 8-K pursuant to Items 9.01(a) and 9.01(b). Except as described in this Explanatory Note, no other information in the Form 8-K is modified or amended hereby. Capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed to them in the Form 8-K.

### ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

#### *(a) Financial statements of Businesses Acquired*

The following restated, audited financial statements of Agrifos Fertilizer L.L.C. (“Agrifos”) are included in this Form 8-K/A as Exhibit 99.1 and incorporated herein by reference in this Item 9.01:

Independent Auditors’ Report

Statements of Financial Position as of December 31, 2011 and December 31, 2010, as restated

Statements of Operations for the years ended December 31, 2011, December 31, 2010 and December 31, 2009, as restated

Statements of Changes in Member’ s Equity and Accumulated Other Comprehensive Income (Loss) as of December 31, 2011, December 31, 2010 and December 31, 2009, as restated

Statements of Cash Flows for the years ended December 31, 2011, December 31, 2010 and December 31, 2009, as restated

Notes to Financial Statements

The following restated, unaudited condensed financial statements of Agrifos are included in this Form 8-K/A as Exhibit 99.2 and incorporated herein by reference in this Item 9.01:

Condensed Statements of Financial Position as of September 30, 2012 and December 31, 2011, as restated

Condensed Statements of Operations for the nine months ended September 30, 2012 and September 30, 2011, as restated

Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2012 and September 30, 2011, as restated

Condensed Statements of Changes in Member’ s Equity and Other Comprehensive Loss as of September 30, 2012, as restated

Condensed Statements of Cash Flows for the nine months ended September 30, 2012 and September 30, 2011, as restated

Notes to Condensed Financial Statements

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**(b) Pro Forma Financial Information**

The following unaudited pro forma condensed combined financial statements are included in this Form 8-K/A as Exhibit 99.3 and incorporated herein by reference in this Item 9.01:

Unaudited Pro Forma Condensed Combined Balance Sheets as of September 30, 2012

Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended September 30, 2011

Unaudited Pro Forma Condensed Combined Statement of Operations for the three months ended December 31, 2011

Unaudited Pro Forma Condensed Combined Statement of Operations for the nine months ended September 30, 2012

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

**(c) Exhibits**

The following exhibits are filed herewith:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
23.1	Consent of Independent Accountants.
99.1	Restated, audited financial statements of Agrifos as of December 31, 2011 and December 31, 2010, and for the years ended December 31, 2011, December 31, 2010 and December 31, 2009.
99.2	Restated, unaudited condensed financial statements of Agrifos as of September 30, 2012 and December 31, 2011, and for the nine months ended September 30, 2012 and September 30, 2011.
99.3	Unaudited pro forma condensed combined financial statements as of September 30, 2012, for the year ended September 30, 2011, for the three months ended December 31, 2011 and for the nine months ended September 30, 2012.

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SIGNATURE

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

**RENTECH NITROGEN PARTNERS, L.P.,**

January 14, 2013

By: Rentech Nitrogen GP, LLC

Its General Partner

/s/ Dan J. Cohrs

Name: Dan J. Cohrs

Title: Chief Financial Officer

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-177957) of Rentech Nitrogen Partners, L.P. of our report dated January 14, 2013 relating to the financial statements of Agrifos Fertilizer L.L.C., which appears in this Current Report on Form 8-K/A of Rentech Nitrogen Partners, L.P. dated October 31, 2012.

/s/ PricewaterhouseCoopers LLP  
Los Angeles, California  
January 14, 2013

**Agrifos Fertilizer L.L.C.**

**Financial Statements, as restated  
December 31, 2011, 2010 and 2009**

**Date of Report: January 10, 2013**

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**Agrifos Fertilizer L.L.C.**

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**December 31, 2011, 2010 and 2009**

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## Report of Independent Auditors

To the Board of Directors of  
Agrifos Fertilizer L.L.C.

In our opinion, the accompanying statements of financial position and the related statements of operations, changes in member' s equity and accumulated other comprehensive income (loss) and cash flows present fairly, in all material respects, the financial position of Agrifos Fertilizer L.L.C. (the "Company") at December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company' s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3, the Company has restated the 2011, 2010, and 2009 financial statements to correct errors.

/s/ PricewaterhouseCoopers LLP  
Los Angeles, California  
January 14, 2013

**Agrifos Fertilizer L.L.C.**  
**Statements of Financial Position**  
**December 31, 2011 and 2010**

	2011 (Restated)	2010 (Restated)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$5,679,742	\$1,557,064
Accounts receivable, trade	891,990	8,035,733
Other receivables, net	197,207	5,364,749
Inventories and other assets, net	22,017,477	22,804,580
Prepaid expenses and other current assets	1,442,865	673,224
Deferred income tax asset	58,000	47,088
Total current assets	<u>30,287,281</u>	<u>38,482,438</u>
Property, plant and equipment, net	49,130,253	44,708,357
Deferred income tax asset	489,296	870,937
Other assets	824,399	558,024
Total assets	<u>\$80,731,229</u>	<u>\$84,619,756</u>
<b>Liabilities and Member' s Equity</b>		
Current liabilities		
Accounts payable	\$10,721,007	\$12,827,253
Accrued expenses	5,532,448	5,892,367
Current portion of long term debt	6,500,000	3,000,000
Deferred revenue	2,747,722	2,117,500
Income tax payable	-	106,248
Total current liabilities	<u>25,501,177</u>	<u>23,943,368</u>
Long term debt, net of current portion	22,500,000	-
Asset retirement obligations	1,622,252	1,571,189
Accrued employee benefits and other liabilities	1,957,343	468,403
Total liabilities	<u>51,580,772</u>	<u>25,982,960</u>
Commitments and contingencies		
Member' s equity	30,616,770	58,963,585
Accumulated other comprehensive loss	(1,466,313)	(326,789)
Total member' s equity and accumulated other comprehensive loss	<u>29,150,457</u>	<u>58,636,796</u>
Total liabilities and member' s equity and accumulated other comprehensive loss	<u>\$80,731,229</u>	<u>\$84,619,756</u>

The accompanying notes are an integral part of these financial statements.

**Agrifos Fertilizer L.L.C.**  
**Statements of Operations**  
**Years Ended December 31, 2011, 2010 and 2009**

	2011 (Restated)	2010 (Restated)	2009 (Restated)
<b>Revenues</b>	\$146,897,377	\$204,907,773	\$159,785,710
<b>Operating expenses</b>			
Costs of products sold	150,912,107	175,939,715	147,255,959
Selling, general and administrative	7,826,422	8,086,986	7,492,819
Gain on sale of assets, net	<u>(159,459 )</u>	<u>–</u>	<u>–</u>
Total operating expenses	<u>158,579,070</u>	<u>184,026,701</u>	<u>154,748,778</u>
Operating (loss) income	<u>(11,681,693 )</u>	<u>20,881,072</u>	<u>5,036,932</u>
<b>Other income (expense)</b>			
Interest expense, net	(705,532 )	(430,181 )	(541,687 )
Loss on short term investments	–	(117,575 )	(54,434 )
Gain on insurance settlements	<u>–</u>	<u>–</u>	<u>6,752,155</u>
Total other (expense) income, net	<u>(705,532 )</u>	<u>(547,756 )</u>	<u>6,156,034</u>
(Loss) income before income taxes	<u>(12,387,225 )</u>	<u>20,333,316</u>	<u>11,192,966</u>
Income tax benefit	<u>(450,410 )</u>	<u>(115,059 )</u>	<u>(22,567,957 )</u>
Net (loss) income	<u><u>\$ (11,936,815 )</u></u>	<u><u>\$ 20,448,375</u></u>	<u><u>\$ 33,760,923</u></u>

The accompanying notes are an integral part of these financial statements.

**Agrifos Fertilizer L.L.C.**

**Statements of Changes in Member' s Equity and Accumulated Other Comprehensive Income (Loss)**

**Years Ended December 31, 2011, 2010 and 2009**

	Member' s Equity	Accumulated Other Comprehensive Loss	Total
<b>Balances at December 31, 2008, restated</b>	\$29,854,287	\$(977,302 )	\$28,876,985
Distributions	(18,100,000)	-	(18,100,000)
Other comprehensive income			
Net income, restated	33,760,923	-	33,760,923
Pension adjustments			
Actuarial gain	-	648,415	648,415
Amortization of actuarial loss	-	76,799	76,799
Amortization of prior service cost	-	757	757
Reversal of income taxes related to comprehensive income due to conversion from a corporation to a limited liability company	-	(526,240 )	(526,240 )
Total comprehensive income			<u>33,960,654</u>
<b>Balances at December 31, 2009, restated</b>	45,515,210	(777,571 )	44,737,639
Distributions	(7,000,000 )	-	(7,000,000 )
Other comprehensive income			
Net income, restated	20,448,375	-	20,448,375
Pension adjustments			
Actuarial gain	-	413,385	413,385
Amortization of actuarial loss	-	36,640	36,640
Amortization of prior service cost	-	757	757
Total comprehensive income			<u>20,899,157</u>
<b>Balances at December 31, 2010, restated</b>	58,963,585	(326,789 )	58,636,796
Distributions	(8,300,000 )	-	(8,300,000 )
Receivable from owner	(8,110,000 )	-	(8,110,000 )
Other comprehensive income			
Net loss, restated	(11,936,815)	-	(11,936,815)
Pension adjustments			
Actuarial loss	-	(1,088,807 )	(1,088,807 )
Amortization of actuarial loss	-	5,592	5,592
Amortization of prior service cost	-	(56,309 )	(56,309 )
Total comprehensive loss			<u>(13,076,339)</u>
<b>Balances at December 31, 2011, restated</b>	<u>\$30,616,770</u>	<u>\$(1,466,313 )</u>	<u>\$29,150,457</u>

The accompanying notes are an integral part of these financial statements.

**Agrifos Fertilizer L.L.C.****Statements of Cash Flows****Years Ended December 31, 2011, 2010 and 2009**

	2011 (Restated)	2010 (Restated)	2009 (Restated)
<b>Cash flows from operating activities</b>			
Net (loss) income	\$(11,936,815)	\$20,448,375	\$33,760,923
Adjustments to reconcile net (loss) income to net cash provided by operating activities			
Depreciation	4,579,907	6,191,556	9,245,065
Accretion of asset retirement obligations	51,063	49,457	47,900
Amortization of debt issuance costs	100,000	-	-
Gain on sale of property, plant and equipment, net	159,458	-	-
Gain on sale of short-term investments	-	117,575	54,434
Pension amortization and adjustments	(1,139,524 )	450,782	754,971
Change in allowance for inventory obsolescence	3,723,649	(81,399 )	(3,123,034 )
Deferred income tax, net	370,729	216,116	(19,674,270)
Amortization of deferred gain	-	(6,232,663 )	(9,065,692 )
Changes in working capital assets and liabilities			
Accounts receivable, trade	7,143,743	(6,642,913 )	(3,697,660 )
Other receivables	5,167,542	(2,563,189 )	6,857,623
Inventories	(2,936,546 )	(2,813,927 )	20,109,918
Prepaid expenses and other current assets	(769,641 )	1,023,764	(377,729 )
Other assets	(266,375 )	(138,096 )	1,402,519
Accounts payable	(2,106,246 )	4,476,602	(5,795,784 )
Accrued expenses	(1,167,643 )	239,681	(8,600,026 )
Income tax payable	(106,248 )	102,163	(5,046,573 )
Deferred revenue	630,222	65,500	2,052,000
Other liabilities	1,913,940	(1,668,934 )	(1,008,108 )
Net cash provided by operating activities	<u>3,411,215</u>	<u>13,240,450</u>	<u>17,896,477</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(9,057,043 )	(7,621,765 )	(9,779,928 )
Insurance proceeds relating to fixed asset damages	-	-	4,700,754
Proceeds from disposal of property, plant and equipment	703,506	-	-
Purchase of short-term investments	-	(1,000,000 )	(3,545,088 )
Sale of short-term investments	-	1,827,991	2,545,088
Note receivable from related party	-	(100,000 )	-
Net cash used in investing activities	<u>(8,353,537 )</u>	<u>(6,893,774 )</u>	<u>(6,079,174 )</u>
<b>Cash flows from financing activities</b>			
Distributions	(8,300,000 )	(7,000,000 )	(15,042,699)
Receivable from owner and/or due from related party	(8,110,000 )	-	-
Borrowings on long-term debt	44,000,000	31,000,000	24,000,000
Repayments on long-term debt	(18,000,000)	(29,000,000)	(23,000,000)
Payment of deferred financing costs	(525,000 )	-	-
Net cash provided by (used in) financing activities	<u>9,065,000</u>	<u>(5,000,000 )</u>	<u>(14,042,699)</u>
Net increase in cash and cash equivalents	4,122,678	1,346,676	(2,225,396 )

<b>Cash and cash equivalents</b>			
Beginning of year	1,557,064	210,388	2,435,784
End of year	<u>\$5,679,742</u>	<u>\$1,557,064</u>	<u>\$210,388</u>
<b>Supplemental disclosures of cash flow information</b>			
Cash paid for interest	\$814,090	\$346,278	\$538,335
Cash paid for income taxes	132,171	–	–
Use of distribution to offset note receivable and accrued interest from related party	–	–	(3,057,301 )
Change in payable for capitalized fixed assets	1,353,564	199,908	248,212
Proceeds used to offset note payable	–	–	2,900,000
Reversal of income taxes due to conversion from a corporation to a limited liability company	–	–	(526,240 )

The accompanying notes are an integral part of these financial statements.

**1. Description of Business**

Agrifos Fertilizer Inc. was incorporated under the laws of the State of Delaware in 2003. In December 2008, Agrifos Fertilizer, Inc. was converted from a Delaware corporation to a Delaware limited liability company named Agrifos Fertilizer L.L.C. (the "Company"). The Company is owned by Agrifos Holdings Inc. ("Holdings"). The Company owns and operates a fertilizer plant located in Pasadena, Texas.

In early 2011, the Company's operations were restructured. The Company ceased production of phosphate fertilizers, which included DAP (diammonium phosphate) and MAP (monoammonium phosphate), due to the limited remaining capacity of the Company's primary waste disposal site related to its phosphate operations.

The Company undertook major capital and maintenance projects at the Pasadena plant, including decommissioning certain phosphate production assets, and converting a portion of its assets to the new business model. The Company's new business model includes the production of ammonium sulfate fertilizer and the continued production of sulfuric acid and ammonium thiosulfate.

**2. Significant Accounting Policies**

The Company's accounting policies conform to accounting principles generally accepted in the United States of America. A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

**Revenue Recognition**

Revenue from the sale of fertilizers is recognized when persuasive evidence of an arrangement exists, products are shipped, the fee is fixed or determinable, and collectability is reasonably assured. As discussed in Note 3, the financial statements were restated for bill and hold transactions. The Company no longer recognizes revenue for bill and hold transactions.

Amounts billed to customers for delivery costs are classified as a component of total revenues and related delivery costs are classified as a component of cost of products sold. This approximated \$1,177,000, \$3,984,000 and \$3,318,000 for the years ended December 31, 2011, 2010 and 2009 respectively.

**Cash and Cash Equivalents**

Cash on hand and highly liquid investments purchased with an original maturity of three months or less are considered to be cash and cash equivalents.

**Allowance for Doubtful Accounts**

The Company maintains allowances for potential credit losses which, when realized, have been within the range of management's expectations. The allowance for doubtful accounts was \$165,035 and \$0 at December 31, 2011 and 2010, respectively.

**Inventories, net**

Inventories are stated at the lower of cost, as determined by standard costing which approximates the weighted average cost method, or market. Cost includes material, labor and manufacturing overhead. The balance sheet includes a reserve to provide for estimated losses arising from writing down inventories to market value in those situations where cost exceeded market value at December 31, 2011 and 2010 for slow moving and obsolete inventories (see Note 6).

**Property, Plant and Equipment, net**

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation for financial reporting purposes is provided using straight-line methods over the estimated useful lives of the assets. Estimated useful lives of the assets range from 1.5 to 10 years, with the majority relating to plant, machinery and equipment that range from three to 10 years. Buildings have estimated useful lives of 20 years.

Expenditures for major acquisitions and improvements are capitalized; expenditures for maintenance and repairs are charged to expense as incurred, including the cost of major maintenance expenditures. When property and equipment are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in other expense.

Long-lived assets to be held and used by the Company are reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. For long-lived assets to be held and used, the Company bases its evaluation on impairment indicators such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements and other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, the Company determines whether impairment has occurred through the use of an undiscounted cash flow analysis of the asset at the lowest level for which identifiable cash flows exist. If impairment has occurred, the Company recognizes a loss for the difference between the carrying amount and the fair value of the asset. The fair value of the asset is measured using quoted market prices or, in the absence of quoted market prices, is based on an estimate of discounted cash flows. No impairment was recorded during 2011, 2010, or 2009.

**Asset Retirement Obligations**

The Company's asset retirement obligations (AROs) relate to future costs associated with the removal of contaminated material upon removal of the phosphorous plant. The fair value of a liability for an ARO is recorded in the period in which it is incurred and the cost of such liability increases the carrying amount of the related long-lived asset by the same amount. The liability is accreted each period through charges to operating expense and the capitalized cost is depreciated over the remaining useful life of the asset.

**Deferred Gain**

As further described in Note 4, the deferred gain relates to a vendor's forgiveness of amounts previously due by the Company to the vendor. The deferred gain is amortized over the expected remaining term of a purchase agreement with the vendor based on actual purchases from the vendor. The deferred gain was fully amortized at December 31, 2010.

**Fair Value of Financial Instruments**

The Company's financial instruments consist primarily of cash and cash equivalents, short-term investments, trade receivables, trade payables and debt. Management considers the carrying values of cash and cash equivalents, short-term investments, trade receivables and trade payables to be representative of their respective fair values because of their short-term maturities or expected settlement dates. The carrying value of outstanding amounts under the revolving credit facility and term debt approximate fair value due to the floating interest rate.

### **Concentration of Risk**

The Company sells to its customers on an uncollateralized credit basis unless past experience with the customer requires cash on delivery or other arrangements.

Cash is deposited in demand accounts in federally insured domestic institutions to minimize risk. From time to time the balances may exceed the \$250,000 level of coverage provided by the Federal Depository Insurance Corporation. The Company has not incurred losses related to these deposits.

### **Income Taxes**

Effective January 1, 2009, Holdings converted to a Subchapter "S" corporation. A Subchapter S corporation is a pass through entity for income tax purposes to the shareholders of the Company. As a result of the election, Holdings changed from a taxable entity to a nontaxable entity. Deferred tax assets and liabilities were eliminated at the date an enterprise ceased to be a taxable enterprise. Therefore, the Company reversed the majority of the deferred taxes that existed at December 31, 2008 during 2009. This reversal was recorded as a reduction of income tax expense in 2009. The Company is subject to the Texas Margin Tax, therefore the deferred taxes associated with the Texas Margin Tax remain on the Company's books and records. In addition, even though an S corporation is a flow through entity, there is an entity level tax that is assessed when the corporation sells certain built-in gain assets within the ten years subsequent to the conversion to an S corporation. During 2010, no assets with built-in gains were sold. During 2011, the company sold an asset subject to a built-in gain resulting in a current tax expense of \$73,866. The built-in gain tax is suspended in 2011 due to a taxable loss limitation. The company expects to have taxable income in 2012; therefore, the built-in gain tax is expected to be paid in 2012.

The Company follows generally accepted accounting principles to account for uncertainty in income taxes. These accounting principles provide thresholds and measurements to determine whether tax benefits claimed or expected to be claimed in a tax return should be recorded in the financial statements. See Note 10 for additional information regarding uncertain tax positions.

### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

## **3. Restatement**

The Company concluded it was required to restate its previously issued financial statements for the following items:

The Company did not meet revenue recognition criteria for bill and hold transactions as well as sales under a marketing agreement for which the price was not determinable upon shipment;

The Company determined it had a conditional asset retirement obligation for its phosphorous plant, which should have been recorded in 2005;

The Company had certain DAP inventory which was damaged during 2011, and cannot be sold; and

The Company did not appropriately record an adjustment to reduce inventory to the lower of cost or market in 2011.

The Company incorrectly reflected a cash outflow for financing costs as an operating activity.

The impact of correcting errors resulted in a \$1,251,681 cumulative increase to 2008 beginning member's equity. The impact of correcting these errors, as well as recording other immaterial corrections are as follows:



**Agrifos Fertilizer L.L.C.**
**Notes to Financial Statements**
**Years Ended December 31, 2011, 2010 and 2009**

	2011			2010			2009		
	As previously reported	Adjustment	As restated	As previously reported	Adjustment	As restated	As previously reported	Adjustment	As restated
<b>Statements of Financial Position</b>									
Accounts receivable	\$6,731,019	\$(5,839,029 )	\$891,990	\$7,727,153	\$308,580	\$8,035,733			
Other receivables	197,207	–	197,207	5,271,117	93,632	5,364,749			
Inventories, net	14,689,805	7,327,672	22,017,477	22,156,490	648,090	22,804,580			
Total current assets	28,798,638	1,488,643	30,287,281	37,432,136	1,050,302	38,482,438			
Property, plant and equipment, net	49,469,889	(339,636 )	49,130,253	44,430,178	204,128	44,708,357			
Total assets	79,582,222	1,149,007	80,731,229	83,291,275	1,328,481	84,619,756			
Accrued expenses	5,532,448	–	5,532,448	5,892,367	–	5,892,367			
Deferred revenue	–	2,747,722	2,747,722	–	2,117,500	2,117,500			
Total current liabilities	22,753,455	2,747,722	25,501,177	21,825,868	2,117,500	23,943,368			
Accrued employee benefits and other	2,144,732	(187,389 )	1,957,343	909,064	(440,661 )	468,403			
Asset retirement obligation	–	1,622,252	1,622,252	–	1,571,189	1,571,189			
Total liabilities	47,398,187	4,182,585	51,580,772	22,734,932	3,248,028	25,982,960			
Member' s equity	33,837,737	(3,220,968 )	30,616,770	61,323,793	(2,360,208 )	58,963,585			
Accumulated other comprehensive loss	(1,653,702 )	187,389	(1,466,313 )	(767,450 )	440,661	(326,789 )			
Total member' s equity and accumulated other comprehensive loss	32,184,035	(3,033,579 )	29,150,456	60,556,343	(1,919,547 )	58,636,796			
Total liabilities and member' s equity and AOCL	79,582,222	1,149,007	80,731,229	83,291,275	1,328,481	84,619,756			
<b>Statements of Operations</b>									
Revenues	152,888,812	(5,991,435 )	146,897,377	205,900,332	(992,559 )	204,907,773	161,757,519	(1,971,809 )	159,785,710
Costs of products sold	156,042,782	(5,130,675 )	150,912,107	176,803,180	(863,465 )	175,939,715	148,248,335	(992,376 )	147,255,959
Selling, general, administrative	7,826,422	–	7,826,422	8,281,363	(194,377 )	8,086,986	7,298,442	194,377	7,492,819
Total operating expenses	163,709,746	(5,130,675 )	158,579,071	185,084,543	(1,057,842 )	184,026,701	155,546,777	(797,999 )	154,748,778
Operating income (loss)	(10,820,934)	(860,759 )	(11,681,693 )	20,815,789	65,283	20,881,072	6,210,742	(1,173,810 )	5,036,932
(Loss) income before income taxes	(11,526,466)	(860,759 )	(12,387,225 )	20,268,033	65,283	20,333,316	12,366,776	(1,173,810 )	11,192,966
Net income (loss)	(11,076,056)	(860,759 )	(11,936,815 )	20,383,092	65,283	20,448,375	34,934,733	(1,173,810 )	33,760,923
<b>Statements of Cash Flows</b>									
<b>Cash flows from operating activities:</b>									
Net income (loss)	(11,076,056)	(860,759 )	(11,936,815 )	20,383,092	65,283	20,448,375	34,934,733	(1,173,810 )	33,760,923
Depreciation	4,308,025	271,882	4,579,907	6,247,582	(56,026 )	6,191,556	9,103,260	141,805	9,245,065

Accretion of asset retirement obligations	–	51,063	51,063	–	49,457	49,457	–	47,900	47,900
Amortization of debt issuance costs	–	100,000	100,000	–	–	–	–	–	–
Pension amortization and adjustments	(886,252 )	(253,272 )	(1,139,524 )	48,121	402,661	450,782	687,971	67,000	754,971
Change in allowance for inventory obsolescence	1,371,412	2,352,237	3,723,649	(81,399 )	–	(81,399 )	(3,123,034 )	–	(3,123,034 )
<b>Changes in working capital assets and liabilities:</b>									
Accounts receivable, trade	996,134	6,147,609	7,143,743	(6,334,333 )	(308,580 )	(6,642,913 )	(3,697,660 )	–	(3,697,660 )
Other receivables	5,073,910	93,632	5,167,542	(2,549,748 )	(13,441 )	(2,563,189 )	6,937,814	(80,191 )	6,857,623
Inventories	6,095,273	(9,031,819 )	(2,936,546 )	(3,414,917 )	600,990	(2,813,927 )	21,358,998	(1,249,080 )	20,109,918
Prepaid expenses and other current assets	(769,640 )	(1 )	(769,641 )	1,023,764	–	1,023,764	(377,729 )	–	(377,729 )
Accounts payable	(2,106,246 )	–	(2,106,246 )	4,524,906	(48,304 )	4,476,602	(5,795,784 )	–	(5,795,784 )
Accrued expenses	(1,513,575 )	345,932	(1,167,643 )	434,058	(194,377 )	239,681	(8,794,403 )	194,377	(8,600,026 )
Deferred revenue	–	630,222	630,222	–	65,500	65,500	–	2,052,000	2,052,000
Other liabilities	1,235,667	678,273	1,913,940	(1,199,272 )	(469,661 )	(1,668,933 )	(1,008,108 )	–	(1,008,108 )
<b>Net cash provided by operating activities</b>	<b>2,886,216</b>	<b>524,999</b>	<b>3,411,215</b>	<b>13,146,949</b>	<b>93,501</b>	<b>13,240,450</b>	<b>17,896,477</b>	<b>–</b>	<b>17,896,477</b>
<b>Cash flows from investing activities:</b>									
Purchase of property, plant and equipment	(9,057,044 )	–	(9,057,043 )	(7,528,264 )	(93,501 )	(7,621,765 )	(9,779,928 )	–	(9,779,928 )
<b>Net cash used in investing activities</b>	<b>(8,353,537 )</b>	<b>–</b>	<b>(8,353,537 )</b>	<b>(6,800,273 )</b>	<b>(93,501 )</b>	<b>(6,893,774 )</b>	<b>(6,079,174 )</b>	<b>–</b>	<b>(6,079,174 )</b>
<b>Cash flows from financing activities:</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Payment of deferred financing costs	–	(525,000 )	(525,000 )	–	–	–	–	–	–
<b>Net cash provided by (used in) financing activities</b>	<b>9,590,000</b>	<b>(525,000 )</b>	<b>9,065,000</b>	<b>(5,000,000 )</b>	<b>–</b>	<b>(5,000,000 )</b>	<b>(14,042,699 )</b>	<b>–</b>	<b>(14,042,699 )</b>

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**Agrifos Fertilizer L.L.C.****Notes to Financial Statements****Years Ended December 31, 2011, 2010 and 2009****4. Deferred Gain, net**

The deferred gain resulted from a vendor who forgave \$28,185,829 due from the Company. In connection with the debt forgiveness, the Company and the vendor agreed to amend their long term purchase agreement whereby the Company would pay more for raw material purchases in the future. The gain was deferred and amortized over the remaining term of the agreement with the vendor. Amortization of the deferred gain was \$6,232,663 and \$9,065,692 for 2010 and 2009 respectfully.

**5. Other Receivables, net**

Other receivables consist of the following at December 31:

	2011	2010 (Restated)
Gypsum project receivable	\$-	\$1,919,548
Other	362,242	3,445,201
Allowance for doubtful accounts	(165,035)	-
Total Other Receivables, net	<u>\$197,207</u>	<u>\$5,364,749</u>

Other receivables at December 31, 2011 relate primarily to costs owed by a related party for services provided. The gypsum receivable, at December 31, 2010, was repaid in full during 2011 by ExxonMobil for remediation costs associated with the EPA order of consent (Note 14).

**6. Inventories, net**

The Company recorded an adjustment of \$692,584, \$0 and \$0 for the years ended December 31, 2011, 2010 and 2009, respectively, to reduce inventory to the lower of cost or market. Inventories, which include materials, labor and manufacturing, overhead costs, consist of the following at December 31:

	2011 (Restated)	2010 (Restated)
Raw materials	\$6,841,129	\$14,031,524
Finished products	12,751,761	4,050,847
Replacement parts and supplies	6,395,160	5,661,717
	25,988,050	23,744,088
Allowance for obsolescence	(3,970,573)	(939,508)
Inventories, net	<u>\$22,017,477</u>	<u>\$22,804,580</u>

As discussed in Note 1, the Company ceased production of phosphate fertilizers in early 2011. At December 31, 2011, the Company recorded an allowance for obsolescence of \$1,654,653 related to the remaining phosphate fertilizer which was damaged in 2011 and cannot be sold. The remaining allowance for obsolescence at December 31, 2011 and 2010 relates to replacement parts and supplies.

**Agrifos Fertilizer L.L.C.****Notes to Financial Statements****Years Ended December 31, 2011, 2010 and 2009****7. Property, Plant and Equipment, net**

Property, plant and equipment consist of the following at December 31:

	2011 (Restated)	2010 (Restated)
Land	\$10,515,749	\$10,515,749
Plant improvements	7,752,807	7,535,674
Buildings	13,174,645	4,458,042
Machinery and equipment	56,777,308	49,632,282
Computer equipment	2,832,323	2,391,415
Construction in progress	3,221,427	10,778,380
	<u>94,274,259</u>	<u>85,311,542</u>
Less: Accumulated depreciation	(45,144,006)	(40,603,185)
Property, plant and equipment, net	<u>\$49,130,253</u>	<u>\$44,708,357</u>

Depreciation expense totaled \$4,579,907, \$6,191,556 and \$9,245,065 for the years ended December 31, 2011, 2010 and 2009, respectively.

**8. Accrued Expenses**

Accrued expenses consist of the following at December 31:

	2011	2010
Accrued payroll and related expenses	\$1,009,082	\$1,590,245
Legal reserves	1,080,000	1,300,000
Sales and use taxes	1,800,000	1,264,153
Uncertain tax positions	-	1,187,671
Property taxes	102,458	147,198
Accrued property, plant and equipment	1,353,564	199,908
Other	187,344	203,192
Accrued expenses	<u>\$5,532,448</u>	<u>\$5,892,367</u>

**9. Debt**

Debt consists of the following at December 31:

	2011		2010	
	Balance	Interest Rate	Balance	Interest Rate
Term Loan, maturing March 31, 2016	\$25,000,000	3.28 %	\$-	-
Revolving Note, maturing March 31, 2014	4,000,000	3.30 %	-	-
Revolving credit facility, expiring March 31, 2011	-	-	3,000,000	5.75 %
Total Debt	<u>29,000,000</u>		<u>3,000,000</u>	
Less current portion	<u>6,500,000</u>		<u>3,000,000</u>	
Long term debt	<u>\$22,500,000</u>		<u>\$-</u>	



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**Agrifos Fertilizer L.L.C.****Notes to Financial Statements****Years Ended December 31, 2011, 2010 and 2009**

On March 9, 2011, the Company entered into a five year credit agreement ("Credit Agreement") with a financial institution. The Credit Agreement is comprised of a revolving note of \$15 million, with a maturity date of March 31, 2014, and a term loan of \$25 million, with a maturity date of March 31, 2016. The interest rate per year is the Adjusted One Month LIBOR plus 3.00%. Payments for the term loan are to be repaid in quarterly installments beginning in February 2012 in an amount equal to 2.50%, 3.75% and 5.00% of the unpaid principal balance for years ending 2012, 2013 and thereafter.

The Credit Agreement requires that the Company maintain certain financial covenants. These covenants include a fixed charge coverage ratio, a leverage ratio and a balance sheet ratio. The Company used a portion of the borrowings to repay borrowings under the revolving credit facility.

The Company recorded \$600,000 in debt issuance costs incurred to obtain the Credit Agreement, which are accounted for as deferred charges and amortized using the straight line method which approximates the interest method over the term of the Credit Agreement, of \$100,000 each year until 2016. Amortization of debt issuance costs totaling \$100,000 is included in interest expense in the statements of operations for the year ended December 31, 2011.

At December 31, 2010, the Company had a revolving credit facility with a bank of \$15 million that expired on March 31, 2011. At December 31, 2011 and 2010 the revolving credit facility had an outstanding balance of \$0 and \$3,000,000, respectively.

**10. Income Taxes**

The provision for income tax expense consists of the following for the years ended December 31:

	2011	2010	2009
Current income tax benefit	\$(821,139)	\$(331,175)	\$(3,419,927 )
Deferred income tax expense	<u>370,729</u>	<u>216,116</u>	<u>(19,148,030)</u>
Income tax benefit	<u>\$(450,410)</u>	<u>\$(115,059)</u>	<u>\$(22,567,957)</u>

As discussed in Note 2, effective January 1, 2009 the Company converted to a sub chapter S corporation for federal income tax reporting. The Company is subject to the Texas Margin Tax. Therefore, the deferred taxes that remain on the Company's books at December 31, 2011 and 2010 relate to Texas deferred taxes.

The components of federal and state income tax expense for the years ended December 31, 2011, 2010 and 2009, respectively is as follows:

	2011	2010	2009
Federal tax - built-in gain tax	\$73,866	\$-	\$-
Reversal of income tax related to tax status conversion	-	-	(22,339,402)
State tax (benefit) expense	401,500	322,118	(281,436 )
Federal tax refund due to IRS audit	-	(506,768)	-
Uncertain tax positions	(1,029,829)	69,345	52,881
Valuation allowance	97,044	-	-
Other	<u>7,009</u>	<u>246</u>	<u>-</u>
Income tax benefit	<u>\$(450,410 )</u>	<u>\$(115,059)</u>	<u>\$(22,567,957)</u>

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**Agrifos Fertilizer L.L.C.****Notes to Financial Statements****Years Ended December 31, 2011, 2010 and 2009**

Significant components of the Company's deferred tax assets and (liabilities) consist of the following at December 31:

	2011		2010	
	Current	Noncurrent	Current	Noncurrent
<b>Deferred tax assets</b>				
Texas franchise tax temporary credit	\$41,005	\$1,576,403	\$41,005	\$1,617,407
Inventories	13,338	12,630	3,563	6,268
Other assets	-	6,077	-	-
Accrued expenses	5,159	-	4,505	-
Valuation allowance	-	(706,192 )	-	(609,148 )
Total deferred tax assets	<u>59,502</u>	<u>888,918</u>	<u>49,073</u>	<u>1,014,527</u>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	-	(329,480 )	-	(143,590 )
Other assets	(1,502 )	-	(1,985 )	-
Deferred insurance proceeds	-	(70,142 )	-	-
Total deferred tax liabilities	<u>(1,502)</u>	<u>(399,622 )</u>	<u>(1,985)</u>	<u>(143,590 )</u>
Net deferred taxes	<u>\$58,000</u>	<u>\$489,296</u>	<u>\$47,088</u>	<u>\$870,937</u>

As of January 1, 2008, the former Texas franchise tax on taxable capital and earned surplus was replaced by the Texas Margin Tax, a revised tax on modified gross revenue. At the time of the change, taxpayers were permitted to take a temporary credit for business loss carryforwards that were available as of December 31, 2007 ("Texas Preservation Credit"). For franchise tax reports due after January 1, 2008, the taxpayer may utilize the Texas Preservation Credit against the tax liability reflected on the Texas Margin Tax return.

As of December 31, 2011 and 2010, the Company had available \$1,617,408 and \$1,658,412, respectively, of gross Texas Preservation credits remaining. The Company has established a valuation allowance on the Texas Preservation Credit to the extent that the Company believes it is more likely than not that the credit will not be utilized, which was \$706,192 and \$609,148 at December 31, 2011 and 2010, respectively.

The Company is subject to tax examinations in various jurisdictions and accordingly records incremental tax expense based upon the more-likely-than-not outcomes of any uncertain tax positions. In addition, when applicable, the Company adjusts the previously recorded tax expense to reflect examination results when the position is effectively settled. The Company's ongoing assessments of the more-likely-than-not outcomes of the examinations and related tax positions require judgment and can increase or decrease the Company's effective tax rate, as well as impact operating results. The specific timing of when the resolution of each tax position will be reached is uncertain. The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of its provision for income taxes. The total amount of accrued interest and penalties at December 31, 2011 and 2010 was \$0 and \$69,345, respectively.

Reconciliations of the beginning and ending balance of uncertain tax positions for the years 2011, 2010 and 2009 are as follows:

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**Agrifos Fertilizer L.L.C.****Notes to Financial Statements****Years Ended December 31, 2011, 2010 and 2009**

	2011	2010
Beginning balance	\$1,187,671	\$1,118,326
Additions based on tax positions related to the current year	-	-
Additions for tax positions of prior years	-	69,345
Reductions for tax positions due to lapse of statutes of limitations	(1,187,671)	-
Settlements	-	-
Balance at December 31	<u>\$-</u>	<u>\$1,187,671</u>

**11. Employee Benefit Plans****Pension Plans**

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

The Company has two noncontributory pension plans (the "Plans"), which cover either hourly paid employees represented by collective bargaining agreements in effect at the Company's location or hourly employees who have 1,000 hours of service during a year of employment.

**Postretirement Benefits**

The Company established a postretirement benefit plan for certain of its employees in 2006. The plan provides a fixed dollar amount to supplement payment of eligible medical expenses. The amount of the supplement under the plan is based on years of service and the type of coverage elected (single or family members and spouses). Participants are eligible for supplements at retirement after age 55 with at least 20 years of service to be paid until the attainment of age 65 or another disqualifying event, if earlier.

The following tables summarize changes in the projected benefit obligation, the Plans' assets and the funded status of the Plans as well as the components of net periodic benefit costs, including key assumptions at December 31:

**Agrifos Fertilizer L.L.C.**

**Notes to Financial Statements**

**Years Ended December 31, 2011, 2010 and 2009**

	2011		2010		2009	
	Pension	Post-	Pension	Post-	Pension	Post-
		retirement (Restated)		retirement (Restated)		retirement (Restated)
Service cost	\$160,055	\$15,072	\$167,952	\$15,072	\$180,116	\$15,072
Interest cost	197,369	–	185,370	–	171,142	–
Expected return on plan assets	(229,854 )	–	(204,552)	–	(147,112)	–
Amortization of prior service cost	757	–	757	–	757	–
Recognized loss due to curtailments	536	–	–	–	–	–
Amortization of net actuarial loss	15,028	(9,436 )	14,982	21,658	54,936	21,863
Net periodic pension costs	<u>\$143,891</u>	<u>\$5,636</u>	<u>\$164,509</u>	<u>\$36,730</u>	<u>\$259,839</u>	<u>\$36,935</u>
<b>Other changes in plan assets and benefit obligations</b>						
<b>    recognized in other comprehensive income (OCI)</b>						
Net (gain) loss	\$1,009,609	\$79,198	\$478,304	\$(64,919)	\$(648,415)	\$–
Amortization of prior service costs	56,309	–	(757 )	–	(757 )	–
Amortization of net actuarial loss	(15,028 )	9,436	(14,982 )	(21,658)	(54,936 )	(21,863)
Total recognized in OCI	<u>\$1,050,890</u>	<u>\$88,634</u>	<u>\$462,565</u>	<u>\$(86,577)</u>	<u>\$(704,108)</u>	<u>\$(21,863)</u>
Total recognized in net periodic cost and other comprehensive loss	\$1,194,781	\$94,270	\$627,074	\$(49,847)	\$(444,269)	\$15,072

The expected portion of the accumulated other comprehensive loss expected to be recognized as a component of net periodic benefit cost in 2012, 2011 and 2010 are \$64,648, \$55,302 and \$14,990, respectively.

As the plan provides a fixed dollar amount to participants, increasing or decreasing the health care cost trend rate by 1% would not have any impact on the December 31, 2011, 2010 and 2009 obligation.

**Agrifos Fertilizer L.L.C.**

**Notes to Financial Statements**

**Years Ended December 31, 2011, 2010 and 2009**

	2011		2010	
	Pension	Post- retirement (Restated)	Pension	Post- retirement (Restated)
<b>Changes in projected benefit obligation (PBO)</b>				
Benefit obligation at beginning of year	\$3,652,927	\$540,037	\$3,138,727	\$1,096,275
Service cost	160,055	15,072	167,952	15,072
Interest cost	197,369	–	185,370	–
Amendment	57,602	–	–	–
Actuarial (gain) loss	613,159	916,448	245,086	(494,044 )
Curtailments	(53,194 )	–	–	–
Actual benefit paid	<u>(129,058 )</u>	<u>(77,266 )</u>	<u>(84,208 )</u>	<u>(77,266 )</u>
Benefit obligation at end of year	4,498,860	1,394,291	3,652,927	540,037
<b>Changes in plan assets</b>				
Fair value of plan assets at beginning of year	3,829,926	–	3,375,130	–
Actual return on plan assets	33,482	–	395,443	–
Employer contributions	129,824	–	143,561	–
Actual benefit payments	<u>(129,058 )</u>	–	<u>(84,208 )</u>	–
Fair value of plan assets at end of year	<u>3,864,174</u>	–	<u>3,829,926</u>	–
Funded status at end of year	<u><u>\$(634,686 )</u></u>	<u><u>\$(1,394,291)</u></u>	<u><u>\$176,999</u></u>	<u><u>\$(540,037 )</u></u>
<b>Amounts recognized in statement of financial position</b>				
Current liabilities	\$–	\$(71,634 )	\$–	\$(71,634 )
Noncurrent assets (liabilities)	<u>(634,686 )</u>	<u>(1,322,657)</u>	<u>176,999</u>	<u>(468,403 )</u>
	<u><u>\$(634,686 )</u></u>	<u><u>\$(1,394,291)</u></u>	<u><u>\$176,999</u></u>	<u><u>\$(540,037 )</u></u>
<b>Amounts recognized in accumulated other comprehensive loss (AOCI)</b>				
Net (gain) loss	\$1,202,905	\$189,001	\$208,324	\$100,367
Prior service costs	59,335	15,072	3,026	15,072
	<u><u>\$1,262,240</u></u>	<u><u>\$204,073</u></u>	<u><u>\$211,350</u></u>	<u><u>\$115,439</u></u>

The above measures of the net periodic benefit cost and projected benefit obligation are based upon the following assumptions at December 31:

	2011	2010	2009
Weighted average discount rate (projected benefit obligation)	4.50%	5.50%	6.00%
Weighted average discount rate (net periodic benefit cost)	5.50	5.50	6.00
Weighted average expected long-term rate of return on assets	6.00	6.00	6.00

The average discount rate used was determined to be within 25 basis points of the spot rate of the Citigroup Pension Liability Index (the “Index”). The expected cash flows were discounted using the Citigroup Pension Discount Curve to confirm that the methodology utilized in selecting the average discount rate did not produce a different result.

**Agrifos Fertilizer L.L.C.****Notes to Financial Statements****Years Ended December 31, 2011, 2010 and 2009**

Asset Category	2011		2010	
	Target Allocation as of December 31, 2011	Percentage of Pension Plan Assets 2011	Target Allocation as of December 31, 2010	Percentage of Pension Plan Assets 2010
Equity securities	50 %	52 %	50 %	53 %
Debt securities	50	48	50	47
Cash and other	—	—	—	—
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Over time, the investment policy is to allocate 50%, 40% and 10% to equity securities, debt securities and cash and other, respectively. This strategy is expected to produce a reasonable rate of investment return over the long-term commensurate with an acceptable level of risk.

**Cash Flows**

The Company expects to contribute approximately \$135,000 to its Plans in 2012. Actual postretirement benefit plan contributions were \$129,824 and \$143,561 in 2011 and 2010, respectively.

**Estimated Future Benefit Payments**

	Pension	Postretirement
2012	\$158,517	\$ 62,717
2013	182,891	103,596
2014	196,520	123,736
2015	224,724	40,505
2016	236,157	15,386
2017-2021	1,284,912	406,812

**Savings and Profit Sharing Plan**

Additionally, the Company has a savings and profit sharing plan for the benefit of qualified employees. The plan cost for the years ended December 31, 2011, 2010 and 2009 were approximately \$160,000, \$180,000 and \$190,000, respectively.

**12. Asset Retirement Obligations**

The following table summarizes the activity for the Company's abandonment obligations:

	2011 (Restated)	2010 (Restated)
Beginning balance	\$1,571,189	\$1,521,732
Accretion expense	51,063	49,457
Balance at December 31	<u>\$1,622,252</u>	<u>\$1,571,189</u>

AROs reflect the estimated present value of the amount of dismantlement, removal, site reclamation and similar activities associated with the Company's phosphorous plant. Inherent in the fair value calculation of the ARO are numerous assumptions and judgments including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement, and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the fair value of the existing ARO liability, a corresponding adjustment is made to the asset balance.

**13. Equity****Member's Equity**

All member's equity is owned by Holdings. All of the Company's profits and losses are allocated to Holdings.

**Receivables from owners**

All receivables from owners of the Company parent (Holdings) have been recorded as a reduction in member's equity.

**14. Commitments and Contingencies****Operating Leases**

The Company leases certain equipment under noncancelable operating leases having terms in excess of one year. Future minimum lease rental payments are as follows:

<b>Year Ending</b>	
<b>December 31,</b>	
2012	\$54,144
2013	20,818
2014	17,840
2015	<u>1,968</u>
	<u>\$94,770</u>

Operating lease expense for the years ended December 31, 2011, 2010 and 2009 were \$640,909, \$1,611,465 and \$1,293,188, respectively.

**Litigation**

The Company, in the normal course of business, is subject to claims and litigation with respect to operations. The Company records a provision with respect to a claim, suit, investigation or proceeding when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

Claims and proceedings are reviewed at least annually and provisions are taken or adjusted to reflect the impact and status of settlements, rulings, advice of counsel and other information pertinent to a particular matter. Claims, suits, investigations and proceedings are inherently uncertain and it is not possible to predict the ultimate outcome of such matters. While the Company will continue to defend itself vigorously, it is possible that the Company's business, financial condition, results of operations or cash flows could be affected in any particular period by the resolution of one or more of these matters.

**EPA Order of Consent**

During 2007, heavy rainfall caused a release of process water into the Houston Ship Channel. As a result, on September 17, 2007, the United States Environmental Protection Agency (“EPA”) issued a First Amended Unilateral Administrative Order to the Company and ExxonMobil Corporation (the “UAO”). Subsequently, an Administrative Order on Consent (the “AOC”) was issued by the EPA which superseded and replaced the UAO in its entirety regarding the 2007 release of process water. As of December 31, 2010, substantially all of the costs necessary to comply with provisions of the AOC have been incurred and expensed in the financial statements.

In 2005, the EPA initiated an enforcement action against the entire United States phosphoric acid industry to enforce compliance with (i) RCRA and the applicable Bevill Amendment exclusion from RCRA and (ii) the HF MACT regulations set forth in the Clean Air Act. On December 7, 2011, the Company settled the enforcement action pursuant to a Consent Agreement and Final Order with the EPA, agreeing to pay \$1,800,000 in installments over a two-year period and to complete a supplemental environmental project involving the construction of a containing wall around the granulation unit by June 2012. The total \$1,800,000 was accrued as of December 31, 2011. Of this, approximately \$1,080,000 is recorded in accrued expenses and \$720,000 on other long-term liabilities.

**State of Texas Sales and Use Tax Audit**

During 2007, the State of Texas completed a sales and use tax audit of the Company for years 2003 to 2005 and, as a result, the Company received a Texas Notification of Audit Results which assessed the Company additional taxes of \$1,300,000 and corresponding penalties and interest of \$500,000. In February 2012, the Company reached a settlement with the State of Texas on a sales and use tax audit for years 2003 to 2005. The Company agreed to pay \$1,300,000 in full settlement of this matter and that payment was made February 29, 2012. The Company has recorded a \$1,300,000 liability as of December 31, 2011, an increase of \$300,000 recognized during 2011, which is included in accrued expenses on the statements of financial position.

During 2011, the State of Texas completed a sales and use tax audit of the Company for years 2005 to 2008 and, as a result, the Company received a Texas Notification of Audit Results which assessed the Company additional taxes of \$1,400,000 and corresponding penalties and interest of \$400,000. Although the Company is disputing the tax assessment, based on management’s estimates of the ultimate liability, the Company has recorded a \$500,000 liability as of December 31, 2011, which is included in accrued expenses on the statements of financial position.

**15. Significant Customers and Suppliers**

**Significant Customers**

The Company sells its fertilizers and sulfuric acid under short-term marketing agreements to a select number of customers. The Company’s four largest customers accounted for approximately 66%, 65% and 58% of revenue for the years ended December 31, 2011, 2010 and 2009, respectively.

For the year ended December 31, 2011, two customers accounted for approximately 99% of the Company’s trade accounts receivable as of December 31, 2011. For the year ended December 31, 2010, three customers accounted for approximately 96% of the Company’s trade accounts receivable as of December 31, 2010. For the year ended December 31, 2009, three customers accounted for 88% of the Company’s trade accounts receivable.

The loss of a significant customer would have a material adverse effect on the Company’s operations.

**Significant Suppliers**

Ammonia purchased from a certain supplier accounted for approximately 46%, 21% and 36% of the Company's inventory purchases in 2011, 2010 and 2009, respectively. Sulfur purchased from a certain supplier accounted for approximately 19% of the Company's inventory purchases in 2011.

Management believes there are alternative vendors in the industry that would be able to supply sufficient quantities of a majority of its raw material needs but there is no certainty that such supply can be provided under favorable terms.

**16. Risks and Uncertainties**

The Company relies on its current credit facilities to fund short-term liquidity needs if internal funds are not available from the Company's operations. Disruptions in the capital and credit markets could adversely affect the Company's ability to draw on its bank revolving credit facilities.

**17. Fair Value Measurements**

The fair value guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The fair value guidance requires disclosures that categorize financial assets and financial liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability reflecting our assumptions about pricing by market participants. The Company classifies assets and liabilities in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's methodology for categorizing assets and liabilities that are measured at fair value pursuant to this hierarchy gives the highest priority to unadjusted quoted prices in active markets and the lowest level to unobservable inputs.

Pension and postretirement plan assets are accounted for as a component of the pension and postretirement liability on the statement of financial position. The following table summarizes trading securities and pension and postretirement plan assets measured at fair value as of December 31, 2011, 2010 and 2009:

**Agrifos Fertilizer L.L.C.****Notes to Financial Statements****Years Ended December 31, 2011, 2010 and 2009**

	Fair Value as of December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Pension and postretirement plan assets (see note 11)</b>				
Equity securities	\$2,019,595	\$ 2,019,595	\$ -	\$ -
Debt securities	1,844,579	1,844,579	-	-
	<u>\$3,864,174</u>	<u>\$ 3,864,174</u>	<u>\$ -</u>	<u>\$ -</u>

	Fair Value as of December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Pension and postretirement plan assets (see note 11)</b>				
Equity securities	\$2,022,504	\$ 2,022,504	\$ -	\$ -
Debt securities	1,807,422	1,807,422	-	-
	<u>\$3,829,926</u>	<u>\$ 3,829,926</u>	<u>\$ -</u>	<u>\$ -</u>

**18. Gain on Insurance Settlements**

The Company recorded a gain of \$6,752,155 from an insurance settlement during the year ended December 31, 2009, for proceeds in excess of the net book value of inventory and fixed assets destroyed or damaged in connection with Hurricane Ike.

**19. Subsequent Events**

On November 1, 2012, Agrifos Holdings Inc. sold its subsidiary, Agrifos L.L.C., which includes Agrifos Fertilizer L.L.C., to Rentech Nitrogen Partners, L.P., a majority owned subsidiary of Rentech, Inc. In conjunction with the sale, the Company changed its name to Rentech Nitrogen Pasadena, LLC.

Events occurring after December 31, 2011 were evaluated as of the date of this report to ensure any subsequent events that meet the criteria for recognition and/or disclosure and have been included in this report.

**Agrifos Fertilizer L.L.C.  
Financial Statements  
September 30, 2012 and 2011**

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**Agrifos Fertilizer L.L.C.**  
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**September 30, 2012 and 2011**

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**Agrifos Fertilizer L.L.C.**  
**Statements of Financial Position**  
**September 30, 2012 and December 31, 2011**

	September 30, 2012	December 31, 2011 (Restated) (Unaudited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$1,332,957	\$5,679,742
Accounts receivable, trade	8,931,782	891,990
Other receivables, net	63,123	197,207
Inventories and other assets, net	13,717,265	22,017,477
Prepaid expenses and other current assets	259,697	1,442,865
Deferred income tax asset	61,535	58,000
Total current assets	<u>24,366,359</u>	<u>30,287,281</u>
Property, plant and equipment, net	51,847,764	49,130,253
Deferred income tax asset	–	489,296
Other assets	743,899	824,399
Total assets	<u>\$76,958,022</u>	<u>\$80,731,229</u>
<b>Liabilities and Member' s Equity</b>		
Current liabilities		
Accounts payable	\$11,223,306	\$10,721,007
Accrued expenses	3,414,533	5,532,448
Deferred revenue	4,161,008	2,747,722
Income taxes payable	63,158	–
Current portion of long-term debt	10,026,790	6,500,000
Total current liabilities	<u>28,888,795</u>	<u>25,501,177</u>
Long term debt, net of current portion	20,144,695	22,500,000
Deferred income tax	1,854,195	–
Asset retirement obligation	1,661,795	1,622,252
Accrued employee benefits and other liabilities	1,632,293	1,957,343
Total liabilities	<u>54,181,773</u>	<u>51,580,772</u>
Commitments and contingencies		
Member' s equity	24,195,123	30,616,770
Accumulated other comprehensive loss	<u>(1,418,874)</u>	<u>(1,466,313)</u>
Total member' s equity and accumulated other comprehensive loss	<u>22,776,249</u>	<u>29,150,457</u>
Total liabilities and member' s equity and accumulated other comprehensive loss	<u>\$76,958,022</u>	<u>\$80,731,229</u>

The accompanying notes are an integral part of these financial statements.

**Agrifos Fertilizer L.L.C.**  
**Statements of Operations**  
**For the nine months ended September 30, 2012 and 2011**

	September 30, 2012	September 30, 2011 (Restated) (Unaudited)
<b>Revenues</b>	\$119,915,709	\$109,604,431
<b>Operating expenses</b>		
Costs of products sold	112,262,898	109,943,995
Selling, general and administrative	7,140,469	6,023,152
Gain on sale of assets, net	-	240,542
Total operating expenses	<u>119,403,367</u>	<u>116,207,689</u>
Operating income (loss)	512,342	(6,603,258 )
<b>Other income (expense)</b>		
Interest expense, net	(863,871 )	(536,292 )
Gain on insurance settlements	1,000,000	-
Total other income (expense), net	<u>136,129</u>	<u>(536,292 )</u>
Income (loss) before income taxes	648,471	(7,139,550 )
Income taxes	<u>3,047,687</u>	<u>402,601</u>
Net loss	<u><u>\$ (2,399,216 )</u></u>	<u><u>\$ (7,542,151 )</u></u>

The accompanying notes are an integral part of these financial statements.

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**Agrifos Fertilizer L.L.C.**

**Statements of Comprehensive Income (Loss)**

**For the nine months ended September 30, 2012 and 2011**

	September 30, 2012	September 30, 2011 (Restated) (Unaudited)
Net loss	\$(2,399,216)	\$(7,542,151)
Amortization of actuarial loss	43,815	(11,271 )
Amortization of prior service costs	<u>3,624</u>	<u>(568 )</u>
Comprehensive income (loss)	<u><u>\$(2,351,777)</u></u>	<u><u>\$(7,553,990)</u></u>

The accompanying notes are an integral part of these financial statements.

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**Agrifos Fertilizer L.L.C.****Statements of Changes in Member' s Equity and Accumulated Other  
Comprehensive Loss****For the nine months ended September 30, 2012**

	<b>Member' s Equity</b>	<b>Accumulated Other Comprehensive Loss (Unaudited)</b>	<b>Total</b>
<b>Balances at December 31, 2011 (Restated)</b>	\$30,616,770	\$(1,466,313 )	\$29,150,457
Distributions	(3,100,000)	–	(3,100,000)
Receivable from owner	(922,431 )	–	(922,431 )
Net loss	(2,399,216)	–	(2,399,216)
Amortization of actuarial loss	–	43,815	43,815
Amortization of prior service costs	–	3,624	3,624
<b>Balances at September 30, 2012</b>	<u>\$24,195,123</u>	<u>\$(1,418,874 )</u>	<u>\$22,776,249</u>

The accompanying notes are an integral part of these financial statements.

**Agrifos Fertilizer L.L.C.****Statements of Cash Flows****For the nine months ended September 30, 2012 and 2011**

	September 30, 2012	September 30, 2011 (Restated) (Unaudited)
<b>Cash flows from operating activities</b>		
Net loss	\$(2,399,216 )	\$(7,542,151 )
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	3,434,381	3,138,831
Accretion of asset retirement obligations	39,542	38,298
Amortization of debt issuance costs	90,000	75,000
Loss on fixed asset sale	-	240,542
Pension amortization and adjustments	47,439	434,251
Change in allowance for inventory obsolescence	-	1,659,653
Deferred income tax, net	2,339,956	381,864
Changes in working capital assets and liabilities		
Accounts receivable, trade	(6,239,792 )	1,983,081
Other receivables	134,084	4,579,716
Inventories	6,500,212	3,629,302
Prepaid expenses and other current assets	1,183,169	(1,303,098 )
Other assets	(9,500 )	245,400
Accounts payable	502,299	(6,248,677 )
Accrued expenses	(2,117,915 )	(626,897 )
Income tax payable	63,158	67,825
Deferred revenue	1,413,286	387,772
Other liabilities	(325,050 )	601,073
Net cash provided by operating activities	<u>4,656,053</u>	<u>1,741,785</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,151,892 )	(8,039,781 )
Proceeds from disposal of property, plant and equipment	-	907,636
Net cash used in investing activities	<u>(6,151,892 )</u>	<u>(7,132,145 )</u>
<b>Cash flows from financing activities</b>		
Distributions	(3,100,000 )	(8,000,000 )
Note receivable from related parties	(922,431 )	(7,810,000 )
Payment of deferring financing cost	-	(525,000 )
Borrowings on long-term debt	28,000,000	37,000,000
Repayments on long-term debt	(26,828,515)	(10,000,000)
Net cash provided by (used in) financing activities	<u>(2,850,946 )</u>	<u>10,665,000</u>
Net increase (decrease) in cash and cash equivalents	<u>(4,346,785 )</u>	<u>5,274,640</u>
<b>Cash and cash equivalents</b>		
Beginning of period	<u>5,679,742</u>	<u>1,557,064</u>
End of period	<u>\$1,332,957</u>	<u>\$6,831,704</u>

The accompanying notes are an integral part of these financial statements.



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**Agrifos Fertilizer L.L.C.**  
**Notes to Financial Statements**  
**September 30, 2012 and 2011**  
**Unaudited**

**1. Description of Business**

Agrifos Fertilizer Inc. was incorporated under the laws of the State of Delaware in 2003. In December 2008, Agrifos Fertilizer, Inc. was converted from a Delaware corporation to a Delaware limited liability company named Agrifos Fertilizer L.L.C. (the "Company"). The Company is owned by Agrifos Holdings Inc. ("Holdings"). The Company owns and operates a fertilizer plant located in Pasadena, Texas.

In early 2011, the Company's operations were restructured. The Company ceased production of phosphate fertilizers, which included DAP (diammonium phosphate) and MAP (monoammonium phosphate), due to the limited remaining capacity of the Company's primary waste disposal site related to its phosphate operations.

The Company undertook major capital and maintenance projects at the Pasadena plant, including decommissioning certain phosphate production assets and converting a portion of its assets to the new business model. The Company's new business model includes the production of ammonium sulfate fertilizer and the continued production of sulfuric acid and ammonium thiosulfate.

**2. Significant Accounting Policies**

**Basis of Presentation**

The financial statements for the periods presented are unaudited and reflect all adjustments, consisting of normal recurring items, which management considers necessary for a fair statement of the Company's financial position as of September 30, 2012, and the results of operations and cash flows for the periods presented. Operating results for the nine months ended September 30, 2012 and 2011 are not necessarily indicative of results to be expected for the entire years.

These financial statements should be read in conjunction with the audited annual financial statements and notes thereto for the years ended December 31, 2011, 2010 and 2009. These audited financial statements have been included as exhibit 99.1 of the Form 8-K/A dated October 31, 2012. These financial statements have been prepared in accordance with the rules for interim financial statements and do not include all annual disclosures required by generally accepted accounting principles in the United States.

**Revenue Recognition**

Revenue from the sale of fertilizers is recognized when persuasive evidence of an arrangement exists, products are shipped, the fee is fixed or determinable, and collectability is reasonably assured. As discussed in Note 3, the financial statements were restated for bill and hold transactions. The Company no longer recognizes revenue for bill and hold transactions.

**Cash and Cash Equivalents**

Cash on hand and highly liquid investments purchased with an original maturity of three months or less are considered to be cash and cash equivalents.

**Allowance for Doubtful Accounts**

The Company maintains allowances for potential credit losses which, when realized, have been within the range of management's expectations.

### **Inventories, net**

Inventories are stated at the lower of cost, as determined by standard costing which approximates the weighted average cost method, or market. Cost includes material, labor and manufacturing overhead. The statements of financial position include reserves to provide for estimated losses arising from writing down inventories to market value in those situations where cost exceeded market value at September 30, 2012 and December 31, 2011 and for slow moving and obsolete inventories (see Note 5).

### **Property, Plant and Equipment, net**

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation for financial reporting purposes is provided using straight-line methods over the estimated useful lives of the assets. Estimated useful lives of the assets range from 1.5 to 10 years, with the majority relating to plant, machinery and equipment that range from three to 10 years. Buildings have estimated useful lives of 20 years.

Expenditures for major acquisitions and improvements are capitalized; expenditures for maintenance and repairs are charged to expense as incurred, including the cost of major maintenance expenditures. When property and equipment are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in other expense.

Long-lived assets to be held and used by the Company are reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. For long-lived assets to be held and used, the Company bases its evaluation on impairment indicators such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements and other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, the Company determines whether impairment has occurred through the use of an undiscounted cash flow analysis of the asset at the lowest level for which identifiable cash flows exist. If impairment has occurred, the Company recognizes a loss for the difference between the carrying amount and the fair value of the asset. The fair value of the asset is measured using quoted market prices or, in the absence of quoted market prices, is based on an estimate of discounted cash flows. No impairment was recorded in 2012 or 2011.

### **Asset Retirement Obligations**

The Company's asset retirement obligations (AROs) relate to future costs associated with the removal of contaminated material upon removal of the phosphorous plant. The fair value of a liability for an ARO is recorded in the period in which it is incurred and the cost of such liability increases the carrying amount of the related long-lived asset by the same amount. The liability is accreted each period through charges to operating expense and the capitalized cost is depreciated over the remaining useful life of the asset.

### **Fair Value of Financial Instruments**

The Company's financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables and debt. Management considers the carrying values of cash and cash equivalents, trade receivables and trade payables to be representative of their respective fair values because of their short-term maturities or expected settlement dates. The carrying values of outstanding amounts under the revolving credit facility and term debt approximate fair value due to the floating interest rate.

### **Concentration of Risk**

The Company sells to its customers on an uncollateralized credit basis unless past experience with the customer requires cash on delivery or other arrangements.

Cash is deposited in demand accounts in federally insured domestic institutions to minimize risk. From time to time the balances may exceed the \$250,000 level of coverage provided by the Federal Depository Insurance Corporation. The Company has not incurred losses related to these deposits.

### **Income Taxes**

Effective January 1, 2009, Holdings converted to a Subchapter "S" corporation. A Subchapter S corporation is a pass through entity for income tax purposes to the shareholders of the Company. As a result of the election, Holdings changed from a taxable entity to a nontaxable entity. Deferred tax assets and liabilities were eliminated at the date an enterprise ceased to be a taxable enterprise. The Company is subject to the Texas Margin Tax, therefore the deferred taxes associated with the Texas Margin Tax remain on the Company's books and records. In addition, even though an S corporation is a flow through entity, there is an entity level tax that is assessed when the corporation sells certain built-in gain assets within the ten years subsequent to the conversion to an S corporation. See Note 9 for recognition of this income tax in 2012. The Company follows generally accepted accounting principles to account for uncertainty in income taxes. These accounting principles provide thresholds and measurements to determine whether tax benefits claimed or expected to be claimed in a tax return should be recorded in the financial statements.

### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

## **3. Restatement**

The Company concluded it was required to restate its previously issued financial statements for the following items:

The Company did not meet revenue recognition criteria for bill and hold transactions as well as sales under a marketing agreement for which the price was not determinable upon shipment;

The Company determined it had a conditional asset retirement obligation for its phosphorous plant, which should have been recorded in 2005;

The Company had certain DAP inventory which was damaged during 2011, and cannot be sold; and

The Company did not appropriately record an adjustment to reduce inventory to the lower of cost or market in 2011.

The Company incorrectly reflected a cash outflow for financing costs as an operating activity.

The impact of correcting these errors, as well as recording other immaterial corrections are as follows:

**Agrifos Fertilizer L.L.C.**  
**Notes to Financial Statements**  
**September 30, 2012 and 2011**  
**Unaudited**

	September 30, 2011		
	As previously reported	Adjustment	As restated
<b>Statements of Operations</b>			
Revenues	\$115,608,047	\$(6,003,616)	\$109,604,431
Costs of products sold	112,741,465	(2,797,470)	109,943,995
Total operating expenses	119,005,159	(2,797,470)	116,207,689
Operating income (loss)	(3,397,112 )	(3,206,146)	(6,603,258 )
Income (loss) before income taxes	(3,933,404 )	(3,206,146)	(7,139,550 )
Net income (loss)	(4,238,962 )	(3,303,189)	(7,542,151 )
<b>Statements of Cash Flows</b>			
<b>    Cash flows from operating activities:</b>			
Net income (loss)	(4,238,962 )	(3,303,189)	(7,542,151 )
Depreciation	3,083,293	55,538	3,138,831
Accretion of asset retirement obligations	–	38,298	38,298
Amortization of debt issuance costs	–	75,000	75,000
Deferred income tax, net	284,821	97,043	381,864
Pension amortization and adjustments	273,839	160,412	434,251
Change in allowance for inventory obsolescence	46,430	1,613,223	1,659,653
<b>    Changes in working capital assets and liabilities:</b>			
Accounts receivable, trade	5,481,425	(3,498,344)	1,983,081
Inventories	(1,168,908 )	4,798,210	3,629,302
Deferred revenue	–	387,772	387,772
Net cash provided by operating activities	1,967,342	423,964	1,741,785
<b>    Cash flows from investing activities</b>			
Proceeds from disposal of PPE	757,079	150,557	907,636
Net cash used in investing activities	(7,282,702 )	150,557	(7,132,145 )
<b>    Cash flows from financing activities:</b>			
Payment of deferred financing costs	(600,000 )	75,000	(525,000 )
Net cash used in financing activities	10,590,000	75,000	10,665,000

**Agrifos Fertilizer L.L.C.**  
**Notes to Financial Statements**  
**September 30, 2012 and 2011**  
**Unaudited**

	2011		
	As previously reported	Adjustment	As restated
<b>Statements of Financial Position</b>			
Accounts receivable	\$6,731,019	\$(5,839,029)	\$891,990
Other receivables	197,207	-	197,207
Inventories, net	14,689,805	7,327,672	22,017,477
Total current assets	28,798,638	1,488,643	30,287,281
Property, plant and equipment, net	49,469,889	(339,636 )	49,130,253
Total assets	79,582,222	1,149,007	80,731,229
Accrued expenses	5,532,448	-	5,532,448
Deferred revenue	-	2,747,722	2,747,722
Total current liabilities	22,753,455	2,747,722	25,501,177
Accrued employee benefits and other	2,144,732	(187,389 )	1,957,343
Asset retirement obligation	-	1,622,252	1,622,252
Total liabilities	47,398,187	4,182,585	51,580,772
Member' s equity	33,837,737	(3,220,968)	30,616,770
Accumulated other comprehensive loss	(1,653,702 )	187,389	(1,466,313 )
Total member' s equity and accumulated other comprehensive loss	32,184,035	(3,033,579)	29,150,456
Total liabilities and member' s equity and AOCL	79,582,222	1,149,007	80,731,229

**4. Other Receivables, net**

Other receivables consist of the following at September 30, 2012 and December 31, 2011:

	September 30, 2012	December 31, 2011
Claim receivable	\$ 63,123	\$-
Other	-	362,242
Allowance for doubtful accounts	-	(165,035 )
Total other receivables, net	<u>\$ 63,123</u>	<u>\$197,207</u>

Other receivables at September 30, 2012 and December 31, 2011 relate primarily to amounts owed to the Company by a related party for services provided by the Company to the related party.

**Agrifos Fertilizer L.L.C.**  
**Notes to Financial Statements**  
**September 30, 2012 and 2011**  
**Unaudited**

**5. Inventories, net**

Inventories, which include materials, labor and manufacturing, overhead costs, consist of the following at September 30, 2012 and December 31, 2011:

	September 30, 2012	December 31, 2011 (Restated)
Raw materials	\$4,155,663	\$6,841,129
Finished products	7,259,258	12,751,761
Replacement parts and supplies	6,272,917	6,395,160
	17,687,838	25,988,050
Allowance for obsolescence	(3,970,573)	(3,970,573)
Inventories, net	<u>\$13,717,265</u>	<u>\$22,017,477</u>

As discussed in Note 1, the Company ceased production of phosphate fertilizers in early 2011. During the nine months ended September 30, 2011, the Company recorded an allowance for obsolescence of \$1,654,653 related to the remaining phosphate fertilizer which was damaged in 2011 and cannot be sold.

**6. Property, Plant and Equipment, net**

Property, plant and equipment consist of the following at September 30, 2012 and December 31, 2011:

	September 30, 2012	December 31, 2011 (Restated)
Land	\$10,515,749	\$10,515,749
Plant improvements	7,752,807	7,752,807
Buildings	13,194,096	13,174,645
Machinery and equipment	58,176,059	56,777,308
Computer equipment	2,875,554	2,832,323
Construction in progress	8,085,160	3,221,427
	100,599,425	94,274,259
Less: Accumulated depreciation	(48,751,661)	(45,144,006)
Property, plant and equipment, net	<u>\$51,847,764</u>	<u>\$49,130,253</u>

Depreciation expense totaled \$3,434,381 and \$3,138,831 for the nine months ended September 30, 2012 and 2011, respectively.

**7. Accrued Expenses**

Accrued expenses consist of the following at September 30, 2012 and December 31, 2011:

**Agrifos Fertilizer L.L.C.**  
**Notes to Financial Statements**  
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**Unaudited**

	September 30, 2012	December 31, 2011
Accrued payroll and related expenses	\$1,529,853	\$1,009,082
Legal reserves	385,041	1,080,000
Sales and use taxes	532,294	1,800,000
Property taxes	733,000	102,458
Accrued property, plant and equipment	–	1,353,564
Other	234,345	187,344
Accrued expenses	<u>\$3,414,533</u>	<u>\$5,532,448</u>

**8. Debt**

Debt consists of the following at September 30, 2012 and December 31, 2011:

	September 30, 2012			December 31, 2011		
	Balance	Interest Rate		Balance	Interest Rate	
Term Loan, maturing March 31, 2016	\$23,171,485	3.23	%	\$25,000,000	3.28	%
Revolving Note, maturing March 31, 2014	<u>7,000,000</u>	3.25	%	<u>4,000,000</u>	3.30	%
Total Debt	30,171,485			29,000,000		
Less current portion	<u>10,026,790</u>			<u>6,500,000</u>		
Long term debt, net of current portion	<u>\$20,144,695</u>			<u>\$22,500,000</u>		

On March 9, 2011, the Company entered into a five year credit agreement (“Credit Agreement”) with a financial institution. The Credit Agreement is comprised of a revolving note of \$15 million, with a maturity date of March 31, 2014, and a term loan of \$25 million, with a maturity date of March 31, 2016. The interest rate per year is the Adjusted One Month LIBOR plus 3.00%. Payments for the term loan are to be repaid in quarterly installments beginning in February 2012 in an amount equal to 2.50%, 3.75% and 5.00% of the unpaid principal balance for years ending 2012, 2013 and thereafter.

The Credit Agreement requires that the Company maintain certain financial covenants. These covenants include a fixed charge coverage ratio, a leverage ratio and a balance sheet ratio. The Company used a portion of the borrowings to repay borrowings under the revolving credit facility.

The Company recorded \$600,000 in debt issuance costs incurred to obtain the Credit Agreement, which are accounted for as deferred charges and amortized using the straight line method which approximates the interest method over the term of the Credit Agreement. Amortization of debt issuance costs of \$90,000 and \$75,000 is included in interest expense in the statements of operations for the periods ended September 30, 2012 and 2011.

**9. Income Taxes**

The provision for income tax expense consists of the following for the periods ended September 30:

**Agrifos Fertilizer L.L.C.**  
**Notes to Financial Statements**  
**September 30, 2012 and 2011**  
**Unaudited**

	September 30, 2012	September 30, 2011
Current income tax expense	\$704,196	\$ 67,825
Deferred income tax expense	2,343,491	334,776
Income tax expense	<u>\$3,047,687</u>	<u>\$ 402,601</u>

As discussed in Note 1, effective January 1, 2009 the Company converted to a sub chapter S corporation for federal income tax reporting and is subject to a tax on assets sold within ten years of the Company's conversion to a sub chapter S corporation. Prior to 2012, management did not intend to sell assets subject to a built in gains tax, and therefore did not record a deferred tax liability for this tax. During the nine months ended September 30, 2012, management considered selling these assets and therefore recorded \$2,423,702 of deferred tax liability for the built in gains tax. As discussed in Note 14, the Company was sold in November 2012.

As of January 1, 2008, the former Texas franchise tax on taxable capital and earned surplus was replaced by the Texas Margin Tax, a revised tax on modified gross revenue. At the time of the change, taxpayers were permitted to take a temporary credit for business loss carryforwards that were available as of December 31, 2007 ("Texas Preservation Credit"). For franchise tax reports due after January 1, 2008, the taxpayer may utilize the Texas Preservation Credit against the tax liability reflected on the Texas Margin Tax return.

The Company is subject to tax examinations in various jurisdictions and accordingly records incremental tax expense based upon the more-likely-than-not outcomes of any uncertain tax positions. In addition, when applicable, the Company adjusts the previously recorded tax expense to reflect examination results when the position is effectively settled. The Company's ongoing assessments of the more-likely-than-not outcomes of the examinations and related tax positions require judgment and can increase or decrease the Company's effective tax rate, as well as impact operating results. The specific timing of when the resolution of each tax position will be reached is uncertain.

## **10. Equity**

### **Member's Equity**

All member's equity is owned by Holdings. All of the Company's profits and losses are allocated to Holdings.

### **Receivables from owners**

All receivables from owners of the Company parent (Holdings) have been recorded as a reduction in member's equity.

## **11. Commitments and Contingencies**

### **Operating Leases**

The Company leases certain equipment under noncancelable operating leases having terms in excess of one year. Operating lease expense for the periods ended September 30, 2012 and 2011 was \$294,061 and \$568,768, respectively.

### **Litigation**

The Company, in the normal course of business, is subject to claims and litigation with respect to operations. The Company records a provision with respect to a claim, suit, investigation or proceeding when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

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**Agrifos Fertilizer L.L.C.**  
**Notes to Financial Statements**  
**September 30, 2012 and 2011**  
**Unaudited**

Claims and proceedings are reviewed at least annually and provisions are taken or adjusted to reflect the impact and status of settlements, rulings, advice of counsel and other information pertinent to a particular matter. Claims, suits, investigations and proceedings are inherently uncertain and it is not possible to predict the ultimate outcome of such matters. While the Company will continue to defend itself vigorously, it is possible that the Company's business, financial condition, results of operations or cash flows could be affected in any particular period by the resolution of one or more of these matters.

**EPA Order of Consent**

During 2007, heavy rainfall caused a release of process water into the Houston Ship Channel. As a result, on September 17, 2007, the United States Environmental Protection Agency ("EPA") issued a First Amended Unilateral Administrative Order to the Company and ExxonMobil Corporation (the "UAO"). Subsequently, an Administrative Order on Consent (the "AOC") was issued by the EPA which superseded and replaced the UAO in its entirety regarding the 2007 release of process water. As of December 31, 2010, substantially all of the costs necessary to comply with provisions of the AOC have been incurred and expensed in the financial statements.

In 2005, the EPA initiated an enforcement action against the entire United States phosphoric acid industry to enforce compliance with (i) RCRA and the applicable Bevill Amendment exclusion from RCRA and (ii) the HF MACT regulations set forth in the Clean Air Act. On December 7, 2011, the Company settled the enforcement action pursuant to a Consent Agreement and Final Order with the EPA, agreeing to pay \$1,800,000 in installments over a two-year period and to complete a supplemental environmental project involving the construction of a containing wall around the granulation unit by June 2012. A payment of \$720,000 was remitted to the EPA as of September 30, 2012 resulting in a remaining liability balance of \$1,080,000 as of September 30, 2012. The \$1,080,000 liability balance is recorded as \$360,000 in accrued expense and \$720,000 in other long-term liabilities respectively, as of September 30, 2012.

**State of Texas Sales and Use Tax Audit**

During 2007, the State of Texas completed a sales and use tax audit of the Company for years 2003 to 2005 and, as a result, the Company received a Texas Notification of Audit Results which assessed the Company additional taxes of \$1,300,000 and corresponding penalties and interest of \$500,000. In February 2012, the Company reached a settlement with the State of Texas on a sales and use tax audit for years 2003 to 2005. The Company agreed to pay \$1,300,000 in full settlement of this matter and that payment was made February 29, 2012.

During 2011, the State of Texas completed a sales and use tax audit of the Company for years 2005 to 2008 and, as a result, the Company received a Texas Notification of Audit Results which assessed the Company additional taxes of \$1,400,000 and corresponding penalties and interest of \$400,000. Although the Company is disputing the tax assessment, based on management's estimates of the ultimate liability, the Company has recorded a \$500,000 liability as of September 30, 2012 and December 31, 2011, which is included in accrued expenses on the statements of financial position.

**12. Significant Customers and Suppliers**

**Significant Customers**

The Company sells its fertilizers and sulfuric acid under short-term marketing agreements to a select number of customers. For the period ended September 30, 2012, two customers accounted for approximately 99% of the Company's trade accounts receivable. For the period ended September 30, 2011, three customers accounted for approximately 99% of the Company's trade accounts receivable. The loss of a significant customer would have a material adverse effect on the Company's operations.

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**Agrifos Fertilizer L.L.C.**  
**Notes to Financial Statements**  
**September 30, 2012 and 2011**  
**Unaudited**

**Significant Suppliers**

Ammonia purchased from a certain supplier accounted for approximately 66% and 39% of the Company's inventory purchases in 2012 and 2011, respectively. Sulfur purchased from a certain supplier accounted for approximately 28% and 40% of the Company's inventory purchases in the periods ended September 30, 2012 and 2011, respectively.

Management believes there are alternative vendors in the industry that would be able to supply sufficient quantities of a majority of its raw material needs but there is no certainty that such supply can be provided under favorable terms.

**13. Risks and Uncertainties**

The Company relies on its current credit facilities to fund short-term liquidity needs if internal funds are not available from the Company's operations. Disruptions in the capital and credit markets could adversely affect the Company's ability to draw on its bank revolving credit facilities. The Company received a \$1,000,000 settlement from its insurance company for claims related to a contractor that had inappropriately charged us for services that had been paid but not rendered.

**14. Subsequent Events**

On November 1, 2012, Agrifos Holdings Inc. sold its subsidiary, Agrifos L.L.C., which includes Agrifos Fertilizer L.L.C., to Rentech Nitrogen Partners, L.P., a majority owned subsidiary of Rentech, Inc. In conjunction with the sale, the Company changed its name to Rentech Nitrogen Pasadena, LLC.

Events occurring after September 30, 2012 were evaluated through January 14, 2013 to ensure any subsequent events that meet the criteria for recognition and/or disclosure have been included in these financial statements.

**RENTECH NITROGEN PARTNERS, L.P.****UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The unaudited pro forma condensed combined balance sheet as of September 30, 2012 and the unaudited pro forma condensed combined statements of operations for the year ended September 30, 2011, the three months ended December 30, 2011 and nine months ended September 30, 2012 have been adjusted to give effect to the transactions described in Note 1 to the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial statements are not necessarily indicative of the results that Rentech Nitrogen Partners, L.P. (the "Partnership" or "RNP") would have achieved had the transactions described herein actually taken place at the dates indicated, and do not purport to be indicative of future financial position or operating results. The unaudited pro forma condensed combined financial statements should be read in conjunction with (i) the Partnership's audited consolidated financial statements and accompanying notes as of and for the three months ended December 31, 2011, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Partnership's Transition Report on Form 10-K for the three-month transition period ended December 31, 2011, which was filed with the Securities and Exchange Commission ("SEC") on March 15, 2012, (ii) Rentech Energy Midwest Corporation's ("REMC") audited consolidated financial statements and accompanying notes as of and for the year ended September 30, 2011, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Partnership's Annual Report on Form 10-K for the year ended September 30, 2011, which was filed with the SEC on December 14, 2011, (iii) the Partnership's unaudited consolidated financial statements and accompanying notes as of and for the nine months ended September 30, 2012, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Partnership's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012, which was filed with the SEC on November 8, 2012, (iv) the restated, audited financial statements of Agrifos Fertilizer L.L.C. ("Agrifos Fertilizer") for the years ended December 31, 2011, 2010 and 2009, included in this Form 8-K/A as Exhibit 99.1, and (v) Agrifos Fertilizer's restated, unaudited financial statements for the nine months ended September 30, 2012 and 2011, included in this Form 8-K/A as Exhibit 99.2.

The pro forma adjustments are based on available information and certain assumptions that the Partnership believes are reasonable. The pro forma adjustments and certain assumptions are described in the accompanying notes. Pro forma adjustments are those that are directly attributable to the transaction, are factually supportable and, with respect to the unaudited pro forma condensed combined statements of operations, are expected to have a continuing impact on the consolidated results. The final purchase price related to the Acquisition, as defined in Note 1, and the allocation thereof may differ from that reflected in the pro forma condensed combined financial statements after the valuation is finalized by the Partnership, final working capital adjustments are performed and a determination of the earn-out consideration is known. The pro forma condensed combined financial statements do not include adjustments relating to any possible revenue enhancements, expense efficiencies, or other actions that may result from this transaction. In addition to those for the Acquisition, pro forma adjustments include the adjustments relating to the Offering, as defined in Note 1.

The pro forma financial information has been prepared using the acquisition method of accounting. Accordingly, the assets and liabilities of Agrifos Fertilizer are adjusted to their estimated fair values as of September 30, 2012. The estimates of fair value are preliminary and are dependent upon certain valuations and other studies that have not progressed to a stage where there is sufficient information to make a definitive valuation. Accordingly, actual adjustments to the consolidated balance sheet and statements of operations will differ, perhaps materially, from those reflected in the pro forma financial information because the assets and liabilities of Agrifos Fertilizer will be recorded at their respective fair values on the date the acquisition described below was consummated and the preliminary assumptions used to estimate these fair values may change.

RENTECH NITROGEN PARTNERS, L.P.

UNAUDITED PRO FORMA CONDENSED COMBINED  
BALANCE SHEET

AS OF SEPTEMBER 30, 2012

	Actual as of			Pro Forma As of September 30, 2012
	September 30, 2012		Pro Forma Adjustments	
	RNP	Agrifos Fertilizer		
	(in thousands)			
	(Restated)			
<b>ASSETS</b>				
Current assets:				
Cash	\$55,487	\$1,333	\$(30,300) (a)	\$70,522
			(27,317) (b)	
			184,490 (c)	
			(6,931) (d)	
			(98,893) (e)	
			(7,347) (f)	
Accounts receivable	6,258	8,932	–	15,190
Inventories	6,741	13,717	99 (g)	16,595
			(3,962) (h)	
Prepaid expenses and other current assets	2,262	260	–	2,522
Deferred income taxes	–	61	(61) (i)	–
Other receivables, net	27	63	–	90
Total current assets	70,775	24,366	9,778	104,919
Property, plant and equipment, net	58,294	43,763	33,795 (e)	139,814
			3,962 (h)	
Construction in progress	42,987	8,085	82 (e)	51,154
Other assets:				
Goodwill	–	–	52,510 (e)	52,510
Intangible assets	–	–	24,336 (e)	24,336
Debt issuance costs	3,651	410	(410) (a)	7,020
			(1,645) (b)	
			5,014 (d)	
Other assets	361	334	(173) (e)	413
			(109) (j)	
Total other assets	4,012	744	79,523	84,279
Total assets	<u>\$176,068</u>	<u>\$76,958</u>	<u>\$127,140</u>	<u>\$380,166</u>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>				
Current liabilities:				
Accounts payable	\$5,569	\$11,223	\$–	\$16,792
Payable to general partner	3,452	–	–	3,452
Accrued liabilities	7,837	3,478	(128) (a)	10,996
			(191) (b)	
Deferred revenue	25,914	4,161	–	30,075
Accrued interest	136	–	(136) (b)	–

Interest rate swaps	88	–	–	88
Credit facilities/term loan	–	10,027	(10,027 )	5,813
			5,813	(c)
Total current liabilities	42,996	28,889	(4,669 )	67,216
Long-term liabilities:				
Credit facilities/term loan	26,990	20,145	(20,145 )	178,677
			(26,990 )	(b)
			178,677	(c)
Deferred income taxes	–	1,854	(1,854 )	–
Interest rate swaps	815	–	–	815
Other	303	3,294	6,207	9,804
			(e)	
Total long-term liabilities	28,108	25,293	135,895	189,296
Total liabilities	71,104	54,182	131,226	256,512
Partners' capital:				
Common unitholders	104,964	–	(1,645 )	123,654
			(1,917 )	(d)
			20,000	(e)
			2,252	(k)
General partner' s interest	–	–	–	–
Member' s equity	–	22,776	(410 )	–
			(14,550 )	(e)
			(7,347 )	(f)
			99	(g)
			1,793	(i)
			(109 )	(j)
			(2,252 )	(k)
Total partners' capital	104,964	22,776	(4,086 )	123,654
Total liabilities and partners' capital	\$176,068	\$76,958	\$127,140	\$380,166

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.

RENTECH NITROGEN PARTNERS, L.P.

UNAUDITED PRO FORMA CONDENSED COMBINED  
STATEMENT OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Actual Fiscal Year Ended September 30, 2011 REMC	Pro Forma IPO Adjustments	Subtotal	Actual Fiscal Year Ended December 31, 2011 Agrifos Fertilizer	Pro Forma Adjustments	Pro Forma Fiscal Year Ended September 30, 2011
(in thousands, except per unit data)						
(Restated)						
Revenues	\$ 179,857	\$ –	\$ 179,857	\$ 146,897	\$ –	\$ 326,754
Cost of sales	103,286	–	103,286	150,912	(188 ) (h)	257,202
					(1,521 ) (i)	
					4,713 (j)	
Gross profit	76,571	–	76,571	(4,015 )	(3,004 )	69,552
Operating expenses						
Selling, general and administrative expense	5,786	901 (a)	8,606	7,826	1,521 (i)	18,762
		1,997 (b)			809 (k)	
		(78 ) (c)				
Depreciation	409	–	409	–	–	409
(Gain) loss on disposal of property, plant and equipment	522	–	522	(159 )	–	363
Total operating expenses	6,717	2,820	9,537	7,667	2,330	19,534
Operating income	69,854	(2,820 )	67,034	(11,682 )	(5,334 )	50,018
Other income (expense), net						
Interest income	51	–	51	–	–	51
Interest expense	(13,752 )	13,737 (d)	(15 )	(705 )	(6,117 ) (l)	(7,284 )
					(1,152 ) (m)	
					705 (n)	
Loss on debt extinguishment	(13,816 )	13,816 (e)	–	–	–	–
Other income (expense), net	4	–	4	–	–	4
Total other expense, net	(27,513 )	27,553	40	(705 )	(6,564 )	(7,229 )
Income (loss) before income taxes	42,341	24,733	67,074	(12,387 )	(11,898 )	42,789
Income tax (benefit) expense	17,415	(17,415 ) (f)	–	(450 )	536 (f)	86
Net income (loss)	\$ 24,926	\$ 42,148	\$ 67,074	\$ (11,937 )	\$ (12,434 )	\$ 42,703
Net income per unit–Basic			\$ 1.75			\$ 1.10
Net income per unit–Diluted			\$ 1.75			\$ 1.10
Weighted-average units used to compute net income per common unit:						
Basic			38,250 (g)		539 (o)	38,789
Diluted			38,272		539	38,811

The accompanying notes are an integral part of these unaudited  
pro forma condensed combined financial statements.

RENTECH NITROGEN PARTNERS, L.P.

UNAUDITED PRO FORMA CONDENSED COMBINED  
STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2011

	Actual Three Months Ended December 31, 2011 <u>RNP</u>	Pro Forma IPO Adjustments	Subtotal	Actual Three Months Ended December 31, 2011 Agrifos Fertilizer	Pro Forma Adjustments	Pro Forma Three Months Ended December 31, 2011
(in thousands, except per unit data)						
(Restated)						
Revenues	\$ 63,014	\$ –	\$63,014	\$ 37,293	\$ –	\$ 100,307
Cost of sales	37,460	–	37,460	40,968	(161) (h)	78,739
					(410) (i)	
					882 (j)	
Gross profit	<u>25,554</u>	<u>–</u>	<u>25,554</u>	<u>(3,675)</u>	<u>(311)</u>	<u>21,568</u>
Operating expenses						
Selling, general and administrative expense	3,336	113 (a)	3,885	1,803	410 (i)	6,302
		436 (b)			204 (k)	
Depreciation	77		77	–	–	77
(Gain) loss on disposal of property, plant and equipment	(507)	–	(507)	(399)	–	(906)
Total operating expenses	<u>2,906</u>	<u>549</u>	<u>3,455</u>	<u>1,404</u>	<u>614</u>	<u>5,473</u>
Operating income	<u>22,648</u>	<u>(549)</u>	<u>22,099</u>	<u>(5,079)</u>	<u>(925)</u>	<u>16,095</u>
Other income (expense), net						
Interest income	14	–	14	–	–	14
Interest expense	(1,947)	1,941 (d)	(6)	(169)	(1,484) (l)	(1,771)
					(281) (m)	
					169 (n)	
Loss on debt extinguishment	(10,263)	10,263 (e)	–	–	–	–
Other income (expense), net	3	–	3	–	–	3
Total other expense, net	<u>(12,193)</u>	<u>12,204</u>	<u>11</u>	<u>(169)</u>	<u>(1,596)</u>	<u>(1,754)</u>
Income (loss) before income taxes	10,455	11,655	22,110	(5,248)	(2,521)	14,341
Income tax (benefit) expense	–	–	–	(853)	875 (f)	22
Net income (loss)	<u>\$ 10,455</u>	<u>\$ 11,655</u>	<u>\$22,110</u>	<u>\$ (4,395)</u>	<u>\$ (3,396)</u>	<u>\$ 14,319</u>
Net income subsequent to initial public offering (November 9, 2011 through December 31, 2011)	\$ 11,331					
Net income per unit–Basic	\$ 0.30		\$0.58			\$ 0.37
Net income per unit–Diluted	\$ 0.30		\$0.58			\$ 0.37
Weighted-average units used to compute net income per common unit:						

Basic	38,250	38,250	539	(o)	38,789
Diluted	38,255	38,255	539		38,794

The accompanying notes are an integral part of these unaudited pro forma condensed combined financial statements.



pro forma condensed combined financial statements.

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**RENTECH NITROGEN PARTNERS, L.P.**  
**NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED**  
**FINANCIAL STATEMENTS**

**(1) Organization and Basis of Presentation**

On November 1, 2012, the Partnership acquired (the "Acquisition") 100% of the membership interest of Agrifos LLC ("Agrifos"). The purchase price for Agrifos and its subsidiaries consisted of an initial purchase price of approximately \$138.6 million in cash and \$20.0 million in common units representing limited partnership interests in the Partnership (the "Common Units"), as well as potential earn-out consideration of up to \$50.0 million to be paid in Common Units or cash at the Partnership's option. Earn-out consideration would be calculated based on the amount by which the two-year Adjusted EBITDA (as defined in the purchase agreement) of the Partnership's facility in Pasadena, Texas that was acquired in the Acquisition (the "Pasadena Facility") exceeds certain Adjusted EBITDA thresholds. The potential additional consideration would be paid after April 30, 2015 and computation of the relevant calculations.

On November 1, 2012, in connection with the Acquisition, the Partnership entered into a \$300.0 million credit agreement (the "Credit Agreement") which amended and restated in its entirety the Partnership's existing \$135.0 million credit agreement. The Credit Agreement consists of (i) a \$155.0 million term loan facility used to fund the cash purchase price of the Acquisition (the "Term Loan Facility"), (ii) a \$110.0 million multiple draw term loan (the "Capital Expenditures Facility") of which (a) \$100.0 million can be used to finance capital expenditures related to an ammonia production and storage capacity expansion project at the Partnership's facility in East Dubuque, Illinois (the "East Dubuque Facility") and (b) \$10.0 million can be used to finance capital expenditures related to the Pasadena Facility and (iii) a \$35.0 million revolving facility that can be used for seasonal working capital needs, letters of credit and for general corporate purposes (the "Working Capital Facility").

The Credit Agreement has a maturity date of October 31, 2017. Borrowings under the Credit Agreement bear interest at a rate equal to an applicable margin plus, at the borrowers' option, either (a) in the case of base rate borrowings, a rate equal to the highest of (1) the prime rate, (2) the federal funds rate plus 0.5% or (3) LIBOR for an interest period of three months plus 1.00% or (b) in the case of LIBOR borrowings, the offered rate per annum for deposits of dollars for the applicable interest period on the day that is two business days prior to the first day of such interest period. The applicable margin for borrowings under the Credit Agreement will be 2.75% with respect to base rate borrowings and 3.75% with respect to LIBOR borrowings. Additionally, the borrowers are required to pay a fee to the lenders under the Capital Expenditures Facility on the undrawn portion available at a rate of 0.75% per annum and a fee to the lenders under the Working Capital Facility on the undrawn portion available at a rate of 0.50% per annum. The borrowers are also required to pay customary letter of credit fees on issued letters of credit.

On November 9, 2011, the Partnership completed its initial public offering (the "Offering") of 15,000,000 Common Units at a public offering price of \$20.00 per common unit. The Common Units sold to the public in the Offering represented 39.2% of the Common Units outstanding as of the closing of the Offering. Rentech Nitrogen Holdings, Inc. ("RNHI"), Rentech, Inc.'s indirect wholly-owned subsidiary, retained the remaining 60.8% of the Common Units and Rentech Nitrogen GP, LLC (the "General Partner"), RNHI's wholly-owned subsidiary, owns 100% of the non-economic general partner interest in the Partnership. The Partnership's assets at the closing of the Offering consisted of all of the equity interests of REMC, which owns the East Dubuque Facility. At the Offering, REMC was converted into a limited liability company.

The unaudited pro forma condensed combined financial statements have been derived from the audited and unaudited historical financial statements of REMC, the Partnership and Agrifos Fertilizer. Agrifos is a pass-through entity with no operations which owns 100% of Agrifos Fertilizer. Agrifos Fertilizer owns and operates the Pasadena Facility. Agrifos Fertilizer's statement of operations for the three months ended December 31, 2011 was derived by deducting the statement of operations for the nine months ended September 30, 2011 from the statement of operations for the year ended December 31, 2011.

The unaudited pro forma condensed combined statement of operations for the year ended September 30, 2011 includes Agrifos Fertilizer's statement of operations for the year ended December 31, 2011. SEC regulations allow the combining of statements of operations with different year ends when fiscal year ends for such statements of operations differ by no more than 93 days.

The pro forma adjustments have been prepared as if the transactions described above had taken place on September 30, 2012 in the case of the unaudited pro forma condensed combined balance sheet, or as of October 1, 2010 in the case of the unaudited pro forma condensed combined statements of operations.

The Acquisition is reflected in the unaudited pro forma condensed combined financial statements as being accounted for under the acquisition method. Under the acquisition method, the total estimated purchase price of the acquired company is allocated to the assets acquired and the liabilities assumed based on their fair values. The Partnership has made estimates and assumptions in determining the preliminary allocation of the purchase price in the unaudited pro forma condensed combined financial statements. These estimates are based on key assumptions of the Acquisition. Due to the fact that the unaudited pro forma condensed combined financial statements have been prepared based on preliminary estimates, the final amounts recorded may differ materially from the information presented. The allocation of purchase consideration is subject to change based on further review of the fair value of the assets acquired and liabilities assumed. A final determination of fair values will be based on Agrifos Fertilizer's assets acquired and liabilities assumed at the consummation of the Acquisition.

## (2) Preliminary Allocation of Purchase Price and Calculation of Goodwill

As discussed in note 1, the Partnership has made a preliminary allocation of the purchase price to the tangible and intangible assets acquired and liabilities assumed based on various preliminary estimates and valuations. Since these unaudited pro forma condensed combined financial statements have been prepared based on preliminary estimates of fair values attributable to the Acquisition, the actual amounts recorded for the Acquisition may differ materially from the information presented. A final determination of fair values will be based on the assets acquired and the liabilities assumed of Agrifos Fertilizer at the consummation of the Acquisition.

The preliminary purchase price consisted of the following (amounts in thousands):

Cash (through borrowings under the Credit Agreement)	\$138,564
Fair market value of Common Units issued	20,000
Estimate of potential earn-out consideration	<u>6,207</u>
Total preliminary purchase price	<u>\$164,771</u>

The Partnership's preliminary purchase price allocation as of September 30, 2012 is as follows (amounts in thousands):

Cash	\$1,333
Accounts receivable	8,932
Inventories	9,755
Prepaid expenses and other current assets	259
Other receivables, net	63
Property, plant and equipment	81,520
Construction in progress	8,167
Intangible assets (Technology—\$21,313 and Marketing Agreement—\$3,023)	24,336
Goodwill	52,510
Other assets	52
Accounts payable	(11,223 )
Accrued liabilities	(3,478 )
Deferred revenue	(4,161 )
Asset retirement obligation	(1,662 )
Other long-term liabilities	<u>(1,632 )</u>
Total preliminary purchase price	<u>\$164,771</u>

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### **(3) Pro Forma Condensed Combined Balance Sheet Adjustments and Assumptions**

(a) Reflects the repayment in full of Agrifos Fertilizer' s existing credit facilities and term loan, including accrued interest, in the amount of \$30.3 million and write-off of debt issuance costs of \$0.7 million.

(b) Reflects the repayment in full of the Partnership' s existing credit facilities, including accrued interest, in the amount of \$27.1 million and write-off of debt issuance costs of \$1.6 million.

(c) Reflects borrowings under the Credit Agreement which consisted of \$155.0 million under the Term Loan Facility and approximately \$29.5 million under the Capital Expenditures Facility.

(d) Reflects expenses related to the Acquisition of \$1.9 million, deferred financing costs of \$5.0 million associated with the Credit Agreement and immaterial syndication expenses.

(e) Reflects the increase in historical cost of certain assets acquired and liabilities assumed to reflect their fair value, plus estimated earn-out consideration which would be paid after April 30, 2015 and the completion of the relevant calculations in either Common Units or cash at the option of the Partnership, and the issuance of 538,793 Common Units in connection with the Acquisition valued at \$20.0 million based on the 30-day volume-weighted average price of the Common Units prior to signing the acquisition agreement.

(f) Reflects bonus payments to certain Agrifos Fertilizer executives.

(g) Reflects adjustment to Agrifos' inventories due to changing from standard costing for inventories to first-in first-out method to conform with the Partnership' s method of reporting.

(h) Reclassification of Agrifos Fertilizer spare parts from inventories to property, plant and equipment to conform with the Partnership' s method of reporting.

(i) Reflects the elimination of historical deferred income taxes.

(j) Reflects the elimination of historical note receivable and deposit recorded on Agrifos Fertilizer' s books which were excluded from the Acquisition.

(k) Reflects the elimination of historical member' s equity in Agrifos Fertilizer.

### **(4) Pro Forma Condensed Combined Statement of Operations Adjustments and Assumptions**

(a) Reflects shared named executive officers cash compensation allocated to the Partnership and increase in salaries for non-shared named executive officers.

(b) Reflects stock-based compensation expense on grants of Partnership phantom units.

(c) Reflects the elimination of a historical fee related to REMC' s term loan that was terminated in connection with the Offering.

(d) Reflects the elimination of historical interest expense related to the term loan that was repaid in connection with the Offering and previous term loans.

(e) Reflects the elimination of historical loss on debt extinguishment.

(f) Reflects the elimination of historical income tax expense, except for Texas franchise tax.

(g) Reflects Common Units issued in the Offering.

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(h) Reflects adjustment to Agrifos Fertilizer' s inventories due to changing from standard costing for inventories to first-in first-out method.

(i) Reclassification of certain Agrifos Fertilizer department expenses from cost of sales to selling, general and administrative expense to conform with the Partnership' s presentation of costs.

(j) Reflects increase in depreciation and amortization expense due to increase in values of property, plant and equipment and intangible assets.

(k) Reflects the estimated commitment fee of 0.75% on the estimated unused portion of the \$110.0 million Capital Expenditures Facility and 0.5% on the estimated unused portion of the \$35.0 million Working Capital Facility.

(l) Reflects estimated interest expense on outstanding borrowings under the Credit Agreement. Interest was determined based on a rate of 3.96%.

(m) Reflects the estimated amortization of related debt issuance costs of the Credit Agreement over a five year period.

(n) Reflects the elimination of historical interest expense related to Agrifos Fertilizer' s credit facility and term loan.

(o) Reflects issuance of 538,793 Common Units valued at \$20.0 million in connection with the Acquisition.

(p) Reflects the elimination of transaction costs for the Acquisition incurred through September 30, 2012.

#### **(5) Pro Forma Net Income Per Common Unit**

Basic pro forma income (loss) per common unit is calculated by dividing net income (loss) by the weighted average number of common units outstanding for the period. Diluted pro forma net income (loss) per common unit is calculated by dividing net income (loss) by the weighted average number of common units outstanding plus the dilutive effect, calculated using the "treasury stock" method for the unvested phantom units. Phantom units are settled for common units upon vesting.