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

# Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the quarterly period ended June 30, 2008**

**OR**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from to**

**Commission file number 001-33492**

# CVR ENERGY, INC.
*(Exact name of registrant as specified in its charter)*

| | |
|---|---|
| **Delaware**<br>*(State or other jurisdiction of incorporation or organization)* | **61-1512186**<br>*(I.R.S. Employer Identification No.)* |
| **2277 Plaza Drive, Suite 500**<br>**Sugar Land, Texas**<br>*(Address of principal executive offices)* | **77479**<br>*(Zip Code)* |

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o.

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

| | | | |
|---|---|---|---|
| Large accelerated filer o | Accelerated filer o | Non-accelerated filer ☑<br>(Do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes o No ☑.

There were 86,141,291 shares of the registrant's common stock outstanding at August 13, 2008.

**CVR ENERGY, INC. AND SUBSIDIARIES**

**INDEX TO QUARTERLY REPORT ON FORM 10-Q**
**For The Quarter Ended June 30, 2008**

# PART I. FINANCIAL INFORMATION

## ITEM 1. *FINANCIAL STATEMENTS*

## CVR ENERGY, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

| | June 30, 2008 (Unaudited) | December 31, 2007 |
|---|---|---|
| | (In thousands of dollars) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 20,616 | $ 30,509 |
| Accounts receivable, net of allowance for doubtful accounts of $4,328 and $391, respectively | 137,136 | 86,546 |
| Inventories | 328,738 | 254,655 |
| Prepaid expenses and other current assets | 9,886 | 14,186 |
| Insurance receivable | 22,251 | 73,860 |
| Income tax receivable | 35,671 | 31,367 |
| Deferred income taxes | 79,996 | 79,047 |
| Total current assets | 634,294 | 570,170 |
| Property, plant, and equipment, net of accumulated depreciation | 1,189,921 | 1,192,174 |
| Intangible assets, net | 426 | 473 |
| Goodwill | 83,775 | 83,775 |
| Deferred financing costs, net | 6,537 | 7,515 |
| Insurance receivable | 58,663 | 11,400 |
| Other long-term assets | 5,566 | 2,849 |
| Total assets | $ 1,979,182 | $ 1,868,356 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 4,849 | $ 4,874 |
| Revolving debt | 21,500 | — |
| Note payable and capital lease obligations | 14,683 | 11,640 |
| Payable to swap counterparty | 371,583 | 262,415 |
| Accounts payable | 163,373 | 182,225 |
| Personnel accruals | 36,071 | 36,659 |
| Accrued taxes other than income taxes | 18,710 | 14,732 |
| Deferred revenue | 6,995 | 13,161 |
| Other current liabilities | 32,014 | 33,820 |
| Total current liabilities | 669,778 | 559,526 |
| Long-term liabilities: | | |
| Long-term debt, less current portion | 481,910 | 484,328 |
| Accrued environmental liabilities | 4,621 | 4,844 |
| Deferred income taxes | 285,922 | 286,986 |
| Other long-term liabilities | 1,566 | 1,122 |
| Payable to swap counterparty | 46,723 | 88,230 |
| Total long-term liabilities | 820,742 | 865,510 |
| Commitments and contingencies | | |
| Minority interest in subsidiaries | 10,600 | 10,600 |
| Stockholders' equity | | |
| Common stock $0.01 par value per share; 350,000,000 shares authorized; 86,141,291 shares issued and outstanding | 861 | 861 |
| Additional paid-in-capital | 450,492 | 458,359 |
| Retained earning (deficit) | 26,709 | (26,500) |
| Total stockholders' equity | 478,062 | 432,720 |
| Total liabilities and stockholders' equity | $ 1,979,182 | $ 1,868,356 |

See accompanying notes to the condensed consolidated financial statements.

**CVR ENERGY, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Three Months Ended June 30, 2008 | Three Months Ended June 30, 2007 | Six Months Ended June 30, 2008 | Six Months Ended June 30, 2007 |
|---|---|---|---|---|
| | (Unaudited) (In thousands except share amounts) | | | |
| Net sales | $ 1,512,503 | $ 843,413 | $ 2,735,506 | $ 1,233,896 |
| Operating costs and expenses: | | | | |
| Cost of product sold (exclusive of depreciation and amortization) | 1,287,477 | 569,623 | 2,323,671 | 873,293 |
| Direct operating expenses (exclusive of depreciation and amortization) | 62,336 | 60,955 | 122,892 | 174,367 |
| Selling, general and administrative expenses (exclusive of depreciation and amortization) | 14,762 | 14,937 | 28,259 | 28,087 |
| Net costs associated with flood | 3,896 | 2,139 | 9,659 | 2,139 |
| Depreciation and amortization | 21,080 | 17,957 | 40,715 | 32,192 |
| Total operating costs and expenses | 1,389,551 | 665,611 | 2,525,196 | 1,110,078 |
| Operating income | 122,952 | 177,802 | 210,310 | 123,818 |
| Other income (expense): | | | | |
| Interest expense and other financing costs | (9,460) | (15,763) | (20,758) | (27,620) |
| Interest income | 601 | 161 | 1,303 | 613 |
| Loss on derivatives, net | (79,305) | (155,485) | (127,176) | (292,444) |
| Other income, net | 251 | 101 | 430 | 102 |
| Total other income (expense) | (87,913) | (170,986) | (146,201) | (319,349) |
| Income (loss) before income taxes and minority interest in subsidiaries | 35,039 | 6,816 | 64,109 | (195,531) |
| Income tax expense (benefit) | 4,051 | (93,669) | 10,900 | (140,967) |
| Minority interest in loss of subsidiaries | — | (419) | — | 257 |
| Net income (loss) | $ 30,988 | $ 100,066 | $ 53,209 | $ (54,307) |
| Net earnings per share | | | | |
| Basic | $ 0.36 | | $ 0.62 | |
| Diluted | $ 0.36 | | $ 0.62 | |
| Weighted average common shares outstanding | | | | |
| Basic | 86,141,291 | | 86,141,291 | |
| Diluted | 86,158,791 | | 86,158,791 | |
| Pro Forma Information (note 11) | | | | |
| Net income (loss) per share | | | | |
| Basic | | $ 1.16 | | $ (0.63) |
| Diluted | | $ 1.16 | | $ (0.63) |
| Weighted average common shares outstanding | | | | |
| Basic | | 86,141,291 | | 86,141,291 |
| Diluted | | 86,158,791 | | 86,141,291 |

See accompanying notes to the condensed consolidated financial statements.

**CVR ENERGY, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Six Months Ended June 30, 2008 | Six Months Ended June 30, 2007 |
|---|---|---|
| | (Unaudited) (In thousands of dollars) | |
| Cash flows from operating activities: | | |
| Net income (loss) | $ 53,209 | $ (54,307) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 40,715 | 32,192 |
| Provision for doubtful accounts | 3,937 | 9 |
| Amortization of deferred financing costs | 989 | 951 |
| Loss on disposition of fixed assets | 1,550 | 1,155 |
| Share-based compensation | (11,123) | 6,783 |
| Minority interest in loss of subsidiaries | — | (257) |
| Write-off of CVR Partners, LP initial public offering costs | 2,560 | — |
| Changes in assets and liabilities: | | |
| Accounts receivable | (54,527) | (6,442) |
| Inventories | (71,838) | (17,810) |
| Prepaid expenses and other current assets | 801 | (164) |
| Insurance receivable | 2,846 | — |
| Insurance proceeds from flood | 1,500 | — |
| Other long-term assets | (2,873) | (1,071) |
| Accounts payable | (4,666) | 28,150 |
| Accrued income taxes | (4,304) | (101,369) |
| Deferred revenue | (6,166) | (7,428) |
| Other current liabilities | 4,839 | 14,620 |
| Payable to swap counterparty | 67,661 | 276,551 |
| Accrued environmental liabilities | (223) | 218 |
| Other long-term liabilities | 444 | — |
| Deferred income taxes | (2,013) | (11,088) |
| Net cash provided by operating activities | 23,318 | 160,693 |
| Cash flows from investing activities: | | |
| Capital expenditures | (49,635) | (214,053) |
| Net cash used in investing activities | (49,635) | (214,053) |
| Cash flows from financing activities: | | |
| Revolving debt payments | (288,000) | (117,000) |
| Revolving debt borrowings | 309,500 | 157,000 |
| Principal payments on long-term debt | (2,443) | (1,937) |
| Payment of capital lease obligation | (900) | — |
| Payment of financing costs | — | (485) |
| Deferred costs of CVR Partners, LP initial public offering | (1,712) | — |
| Deferred costs of CVR Energy, Inc convertible debt offering | (21) | — |
| Deferred costs of CVR Energy, Inc. initial public offering | — | (3,060) |
| Net cash provided by financing activities | 16,424 | 34,518 |
| Net decrease in cash and cash equivalents | (9,893) | (18,842) |
| Cash and cash equivalents, beginning of period | 30,509 | 41,919 |
| Cash and cash equivalents, end of period | $ 20,616 | $ 23,077 |
| Supplemental disclosures: | | |
| Cash paid for income taxes, net of refunds (received) | $ 17,216 | $ (28,510) |
| Cash paid for interest | 22,229 | 17,589 |
| Non-cash investing and financing activities: | | |
| Accrual of construction in progress additions | (14,924) | (30,085) |
| Assets acquired through capital lease | 5,097 | — |

See accompanying notes to the condensed consolidated financial statements.

CVR ENERGY, INC. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008
(unaudited)

### (1) Organization and History of the Company and Basis of Presentation

*Organization*

The "Company" or "CVR" may be used to refer to CVR Energy, Inc. and, unless the context otherwise requires, its subsidiaries. Any references to the "Company" as of a date after June 24, 2005 and prior to October 16, 2007 (the date of the restructuring as further discussed in this note) are to Coffeyville Acquisition LLC (CALLC) and its subsidiaries.

The Company, through its wholly-owned subsidiaries, acts as an independent petroleum refiner and marketer of high value transportation fuels in the mid-continental United States and, through a limited partnership, a producer and marketer of upgraded nitrogen fertilizer products in North America. The Company's operations include two business segments: the petroleum segment and the nitrogen fertilizer segment.

CALLC formed CVR Energy, Inc. as a wholly owned subsidiary, incorporated in Delaware in September 2006, in order to effect an initial public offering. The initial public offering of CVR was consummated on October 26, 2007. In conjunction with the initial public offering, a restructuring occurred in which CVR became a direct or indirect owner of all of the subsidiaries of CALLC. Additionally, in connection with the initial public offering, CALLC was split into two entities: Coffeyville Acquisition LLC and Coffeyville Acquisition II LLC (CALLC II).

***Initial Public Offering of CVR Energy, Inc.***

On October 26, 2007, CVR Energy, Inc. completed an initial public offering of 23,000,000 shares of its common stock. The initial public offering price was $19.00 per share.

The net proceeds to CVR from the initial public offering were approximately $408.5 million, after deducting underwriting discounts and commissions, but before deduction of other offering expenses. The Company also incurred approximately $11.4 million of other costs related to the initial public offering. The net proceeds from this offering were used to repay $280.0 million of term debt under the Company's credit facility and to repay all indebtedness under the Company's $25.0 million unsecured facility and $25.0 million secured facility, including related accrued interest through the date of repayment of approximately $5.9 million. Additionally, $50.0 million of net proceeds were used to repay outstanding revolving loan indebtedness under the Company's credit facility. The balance of the net proceeds received were used for general corporate purposes.

In connection with the initial public offering, CVR became the indirect owner of the subsidiaries of CALLC and CALLC II. This was accomplished by CVR issuing 62,866,720 shares of its common stock to CALLC and CALLC II, its majority stockholders, in conjunction with the 628,667.20 for 1 stock split of CVR's common stock and the mergers of two newly formed direct subsidiaries of CVR into Coffeyville Refining & Marketing Holdings, Inc. (Refining Holdco) and Coffeyville Nitrogen Fertilizers, Inc. (CNF). Concurrent with the merger of the subsidiaries and in accordance with a previously executed agreement, the Company's chief executive officer received 247,471 shares of CVR common stock in exchange for shares that he owned of Refining Holdco and CNF. The shares were fully vested and were exchanged at fair market value.

The Company also issued 27,100 shares of common stock to its employees on October 24, 2007 in connection with the initial public offering. Immediately following the completion of the offering, there were 86,141,291 shares of common stock outstanding, which does not include the non-vested shares noted below.

On October 24, 2007, 17,500 shares of non-vested common stock having a value of $365,000 at the date of grant were issued to outside directors. Although ownership of the shares does not transfer to the recipients until the shares have vested, recipients have dividend and voting rights with respect to these shares from the date of grant. The fair value of each share of non-vested common stock was measured based on the market price of the common stock as of the date of grant and is being amortized over the respective vesting periods. One-third of the non-vested award will vest on October 24, 2008, one-third will vest on October 24, 2009, and the final one-third will vest on October 24, 2010.

Options to purchase 10,300 shares of common stock at an exercise price of $19.00 per share were granted to outside directors on October 22, 2007. These awards will vest over a three year service period. Fair value was measured using an option-pricing model at the date of grant.

***Nitrogen Fertilizer Limited Partnership***

In conjunction with the consummation of CVR's initial public offering, CVR transferred Coffeyville Resources Nitrogen Fertilizer, LLC (CRNF), its nitrogen fertilizer business, to CVR Partners, LP (the Partnership), a newly created limited partnership, in exchange for a managing general partner interest (managing GP interest), a special general partner interest (special GP interest, represented by special GP units) and a de minimis limited partner interest (LP interest, represented by special LP units). This transfer was not considered a business combination as it was a transfer of assets among entities under common control and, accordingly, balances were transferred at their historical cost. CVR concurrently sold the managing GP interest to Coffeyville Acquisition LLC III (CALLC III), an entity owned by CVR's controlling stockholders and senior management at fair market value. The board of directors of CVR determined, after consultation with management, that the fair market value of the managing general partner interest was $10.6 million. This interest has been reflected as minority interest in the Consolidated Balance Sheet.

CVR owns all of the interests in the Partnership (other than the managing general partner interest and the associated incentive distribution rights (IDRs)) and is entitled to all cash distributed by the Partnership. The managing general partner is not entitled to participate in Partnership distributions except with respect to its IDRs, which entitle the managing general partner to receive increasing percentages (up to 48%) of the cash the Partnership distributes in excess of $0.4313 per unit in a quarter. However, the Partnership is not permitted to make any distributions with respect to the IDRs until the aggregate Adjusted Operating Surplus, as defined in the amended and restated partnership agreement, generated by the Partnership through December 31, 2009 has been distributed in respect of the units held by CVR and any common units issued by the Partnership if it elects to pursue an initial public offering. In addition, the Partnership and its subsidiaries are currently guarantors under the credit facility of Coffeyville Resources, LLC (CRLLC), a wholly-owned subsidiary of CVR. There will be no distributions paid with respect to the IDR's for so long as the Partnership or its subsidiaries are guarantors under the credit facility.

The Partnership is operated by CVR's senior management pursuant to a services agreement among CVR, the managing general partner, and the Partnership. The Partnership is managed by the managing general partner and, to the extent described below, CVR, as special general partner. As special general partner of the Partnership, CVR has joint management rights regarding the appointment, termination, and compensation of the chief executive officer and chief financial officer of the managing general partner, has the right to designate two members of the board of directors of the managing general partner, and has joint management rights regarding specified major business decisions relating to the Partnership. CVR, the Partnership, the managing general partner and various of their subsidiaries also entered into a number of agreements to regulate certain business relations between the parties.

At June 30, 2008, the Partnership had 30,333 special LP units outstanding, representing 0.1% of the total Partnership units outstanding, and 30,303,000 special GP interests outstanding, representing 99.9% of the total Partnership units outstanding. In addition, the managing general partner owned the managing general partner interest and the IDRs. The managing general partner contributed assets into the Partnership in exchange for its managing general partner interest and the IDRs.

As of June 30, 2008, the Partnership had distributed $50.0 million to CVR from its Adjusted Operating Surplus.

On February 28, 2008, the Partnership filed a registration statement with the Securities and Exchange Commission (SEC) to effect an initial public offering of its common units representing limited partner interests. On

June 13, 2008, the Company announced that the managing general partner of the Partnership had decided to postpone, indefinitely, the Partnership's initial public offering due to then-existing market conditions for master limited partnerships. The Partnership, subsequently, withdrew the registration statement.

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP) and in accordance with the rules and regulations of the SEC. The consolidated financial statements include the accounts of CVR Energy, Inc. and its majority-owned direct and indirect subsidiaries. The ownership interests of minority investors in its subsidiaries are recorded as minority interest. All intercompany accounts and transactions have been eliminated in consolidation. Certain information and footnotes required for the complete financial statements under GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the December 31, 2007 audited consolidated financial statements and notes thereto included in CVR's Annual Report on Form 10-K/A for the year ended December 31, 2007.

In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) that are necessary to fairly present the financial position of the Company as of June 30, 2008 and December 31, 2007, the results of operations for the three and six months ended June 30, 2008 and 2007, and the cash flows for the six months ended June 30, 2008 and 2007.

Results of operations and cash flows for the interim periods presented are not necessarily indicative of the results that will be realized for the year ending December 31, 2008 or any other interim period. 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, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

In connection with CVR's initial public offering, $3.1 million of deferred offering costs for the six months ended June 30, 2007 were previously presented in operating activities in the interim financial statements. Such amounts have now been reflected as financing activities for the six months ended June 30, 2007 in the accompanying Consolidated Statements of Cash Flows. The impact on the prior financial statements of this revision is not considered material.

**(2) Recent Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement on Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, which establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS 157 states that fair value is "the price that would be received to sell the asset or paid to transfer the liability (an exit price), not the price that would be paid to acquire the asset or received to assume the liability (an entry price)." The standard's provisions for financial assets and financial liabilities, which became effective January 1, 2008, had no material impact on the Company's financial position or results of operations. At June 30, 2008, the only financial assets and financial liabilities that are measured at fair value on a recurring basis are the Company's derivative instruments. See Note 14, "Fair Value Measurements."

In February 2008, the FASB issued FASB Staff Position 157-2 which defers the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually). The Company will be required to adopt SFAS 157 for these nonfinancial assets and nonfinancial liabilities as of January 1, 2009. Management believes the adoption of SFAS 157 deferral provisions will not have a material impact on the Company's financial position or earnings.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133*. This statement will change the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, net earnings, and cash flows. The Company will be required to adopt this statement as of January 1, 2009. The adoption of SFAS 161 is not expected to have a material impact on the Company's consolidated financial statements.

In May 2008, the FASB issued final FASB Staff Position ("FSP") No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversions (Including Partial Cash Settlement).* The FSP changes the accounting treatment for convertible debt instruments that by their stated terms may be settled in cash upon conversion, including partial cash settlements, unless the embedded conversion option is required to be separately accounted for as a derivative under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities.* Under the FSP, cash settled convertible securities will be separated into their debt and equity components. The FSP specifies that issuers of such instruments should separately account for the liability of equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and the interim periods within those fiscal years, and will require issuers of convertible debt that can be settled in cash to record the additional expense incurred. The Company is currently evaluating the FSP in conjunction with its proposed convertible debt offering.

**(3) Share Based Compensation**

Prior to CVR's initial public offering, CVR's subsidiaries were held and operated by CALLC, a limited liability company. Management of CVR holds an equity interest in CALLC. CALLC issued non-voting override units to certain management members who held common units of CALLC. There were no required capital contributions for the override operating units. In connection with CVR's initial public offering in October 2007, CALLC was split into two entities: CALLC and CALLC II. In connection with this split, management's equity interest in CALLC, including both their common units and non-voting override units, was split so that half of management's equity interest was in CALLC and half was in CALLC II. CALLC was historically the primary reporting company and CVR's predecessor. In connection with the transfer of the managing general partner of the Partnership to CALLC III, CALLC III issued non-voting override units to certain management members of CALLC III.

CVR, CALLC, CALLC II and CALLC III account for share-based compensation in accordance with SFAS No. 123(R), *Share-Based Payments* and EITF 00-12, *Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee*. CVR has recorded non-cash share-based compensation expense from CALLC, CALLC II and CALLC III.

In accordance with SFAS 123(R), CVR, CALLC, CALLC II and CALLC III apply a fair value based measurement method in accounting for share-based compensation. In accordance with EITF 00-12, CVR recognizes the costs of the share-based compensation incurred by CALLC, CALLC II and CALLC III on its behalf, primarily in selling, general, and administrative expenses (exclusive of depreciation and amortization), and a corresponding capital contribution, as the costs are incurred on its behalf, following the guidance in EITF 96-18, *Accounting for Equity Investments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services*, which requires remeasurement at each reporting period. At June 30, 2008, CVR's common stock closing price was utilized to determine the fair value of the override units of CALLC and CALLC II. The estimated fair value per unit reflects a ratio of override units to shares of common stock. The estimated fair value of the override units of CALLC III has been determined using a binomial and probability-weighted expected return method which utilizes CALLC III's cash flow projections, which are representative of the nature of interests held by CALLC III in the Partnership.

The following table provides key information for the share-based compensation plans related to the override units of CALLC, CALLC II, and CALLC III. Compensation expense amounts are disclosed in thousands.

| Award Type | Benchmark Value (per Unit) | Awards Issued | Grant Date | *Compensation Expense Increase (Decrease) for the Three Months Ended June 30, 2008 | 2007 | *Compensation Expense Increase (Decrease) for the Six Months Ended June 30, 2008 | 2007 |
|---|---|---|---|---|---|---|---|
| Override Operating Units(a) | $ 11.31 | 919,630 | June 2005 | $ (3,967) | $ 280 | $ (4,525) | 565 |
| Override Operating Units(b) | $ 34.72 | 72,492 | December 2006 | (261) | 96 | (255) | 196 |
| Override Value Units(c) | $ 11.31 | 1,839,265 | June 2005 | (3,731) | 169 | (3,198) | 339 |
| Override Value Units(d) | $ 34.72 | 144,966 | December 2006 | (165) | 52 | (74) | 103 |
| Override Units(e) | $ 10.00 | 138,281 | October 2007 | (2) | — | (2) | — |
| Override Units(f) | $ 10.00 | 642,219 | February 2008 | 1 | — | 2 | — |
| | | | Total | $ (8,125) | $ 597 | $ (8,052) | $ 1,203 |

* — As CVR's stock price increases or decreases compensation expense increases or is reversed in correlation

***Valuation Assumptions***

(a) In accordance with SFAS 123(R), using the Monte Carlo method of valuation, the estimated fair value of the override operating units on June 24, 2005 was $3,605,000. Significant assumptions used in the valuation were as follows:

| | Grant Date | Remeasurement Date |
|---|---|---|
| Estimated forfeiture rate | None | None |
| Explicit service period | Based on forfeiture schedule in (b) below | Based on forfeiture schedule in (b) below |
| Grant date fair value | $5.16 per share | N/A |
| June 30, 2008 CVR closing stock price | N/A | $19.25 |
| June 30, 2008 estimated fair value | N/A | $40.05 per share |
| Marketability and minority interest discounts | 24% discount | 15% discount |
| Volatility | 37% | N/A |

(b) In accordance with SFAS 123(R), using a combination of a binomial model and a probability-weighted expected return method which utilized CVR's cash flow projections, the estimated fair value of the override operating units on December 28, 2006 was $473,000. Significant assumptions used in the valuation were as follows:

| | Grant Date | Remeasurement Date |
|---|---|---|
| Estimated forfeiture rate | None | None |
| Explicit service period | Based on forfeiture schedule below | Based on forfeiture schedule below |
| Grant date fair value | $8.15 per share | N/A |
| June 30, 2008 CVR closing stock price | N/A | $19.25 |
| June 30, 2008 estimated fair value | N/A | $20.86 per share |
| Marketability and minority interest discounts | 20% discount | 15% discount |
| Volatility | 41% | N/A |

On the tenth anniversary of the issuance of override operating units, such units convert into an equivalent number of override value units. Override operating units are forfeited upon termination of employment for cause. In the event of all other terminations of employment, the override operating units are initially subject to forfeiture as follows:

| Minimum Period Held | Forfeiture Rate |
|---|---|
| 2 years | 75% |
| 3 years | 50% |
| 4 years | 25% |
| 5 years | 0% |

(c) In accordance with SFAS 123(R), using the Monte Carlo method of valuation, the estimated fair value of the override value units on June 24, 2005 was $4,065,000. Significant assumptions used in the valuation were as follows:

| | Grant Date | Remeasurement Date |
|---|---|---|
| Estimated forfeiture rate | None | None |
| Derived service period | 6 years | 6 years |
| Grant date fair value | $2.91 per share | N/A |
| June 30, 2008 CVR closing stock price | N/A | $19.25 |
| June 30, 2008 estimated fair value | N/A | $40.05 per share |
| Marketability and minority interest discounts | 24% discount | 15% discount |
| Volatility | 37% | N/A |

(d) In accordance with SFAS 123(R), using a combination of a binomial model and a probability-weighted expected return method which utilized CVR's cash flow projections, the estimated fair value of the override value units on December 28, 2006 was $945,000. Significant assumptions used in the valuation were as follows:

| | Grant Date | Remeasurement Date |
|---|---|---|
| Estimated forfeiture rate | None | None |
| Derived service period | 6 years | 6 years |
| Grant date fair value | $8.15 per share | N/A |
| June 30, 2008 CVR closing stock price | N/A | $19.25 |
| June 30, 2008 estimated fair value | N/A | $20.86 per share |
| Marketability and minority interest discounts | 20% discount | 15% discount |
| Volatility | 41% | N/A |

Unless the compensation committee of the board of directors of CVR takes an action to prevent forfeiture, override value units are forfeited upon termination of employment for any reason except that in the event of termination of employment by reason of death or disability, all override value units are initially subject to forfeiture as follows:

| Minimum Period Held | Subject to Forfeiture Percentage |
|---|---|
| 2 years | 75% |
| 3 years | 50% |
| 4 years | 25% |
| 5 years | 0% |

(e) In accordance with SFAS 123(R), *Share Based Compensation*, using a binomial and a probability-weighted expected return method which utilized CALLC III's cash flows projections which includes expected future earnings and the anticipated timing of IDRs, the estimated grant date fair value of the override units was approximately $3,000. As of June 30, 2008 these units were fully vested. Significant assumptions used in the valuation were as follows:

| | |
|---|---|
| Estimated forfeiture rate | None |
| June 30, 2008 estimated fair value | $0.007 per share |
| Marketability and minority interest discount | 15% discount |
| Volatility | 36.2% |

(f) In accordance with SFAS 123(R), *Share Based Compensation*, using a binomial and a probability-weighted expected return method which utilized CALLC III's cash flows projections which includes expected future earnings and the anticipated timing of IDRs, the estimated grant date fair value of the override units was approximately $3,000. Of the 642,219 units issued, 109,720 were immediately vested upon issuance and the remaining units are subject to a forfeiture schedule. Significant assumptions used in the valuation were as follows:

| | |
|---|---|
| Estimated forfeiture rate | None |
| Derived Service Period | Based on forfeiture schedule |
| June 30, 2008 estimated fair value | $0.007 per share |
| Marketability and minority interest discount | 15% discount |
| Volatility | 36.2% |

CVR ENERGY, INC. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At June 30, 2008, assuming no change in the estimated fair value at June 30, 2008, there was approximately $44.1 million of unrecognized compensation expense related to non-voting override units. This is expected to be recognized over a remaining period of approximately three years as follows (in thousands):

| | Override Operating Units | Override Value Units |
|---|---|---|
| Six months ending December 31, 2008 | $ 2,220 | $ 6,468 |
| Year ending December 31, 2009 | 3,120 | 12,937 |
| Year ending December 31, 2010 | 930 | 12,937 |
| Year ending December 31, 2011 | — | 5,445 |
| | $ 6,270 | $ 37,787 |

***Phantom Unit Appreciation Plan***

The Company, through a wholly-owned subsidiary, has a Phantom Unit Appreciation Plan whereby directors, employees, and service providers may be awarded phantom points at the discretion of the board of directors or the compensation committee. Holders of service phantom points have rights to receive distributions when holders of override operating units receive distributions. Holders of performance phantom points have rights to receive distributions when holders of override value units receive distributions. There are no other rights or guarantees, and the plan expires on July 25, 2015 or at the discretion of the compensation committee of the board of directors. As of June 30, 2008, the issued Profits Interest (combined phantom points and override units) represented 15% of combined common unit interest and Profits Interest of CALLC and CALLC II. The Profits Interest was comprised of 11.1% and 3.9% of override interest and phantom interest, respectively. In accordance with SFAS 123(R), using the June 30, 2008 CVR closing stock price to determine the Company's equity value, through an independent valuation process, the service phantom interest and performance phantom interest were both valued at $40.05 per point. CVR has recorded approximately $25,961,000 and $29,217,000 in personnel accruals as of June 30, 2008 and December 31, 2007, respectively. Compensation expense for the three and six month periods ending June 30, 2008 related to the Phantom Unit Appreciation Plan was reversed by $(2,709,000) and $(3,256,000), respectively. Compensation expense for the three and six month periods ending June 30, 2007 was $2,444,000 and $5,580,000, respectively.

At June 30, 2008, assuming no change in the estimated fair value at June 30, 2008, there was approximately $15.4 million of unrecognized compensation expense related to the Phantom Unit Appreciation Plan. This is expected to be recognized over a remaining period of approximately three years.

***Long Term Incentive Plan***

CVR has a Long Term Incentive Plan which permits the grant of options, stock appreciation rights, or SARS, non-vested shares, non-vested share units, dividend equivalent rights, share awards and performance awards.

During the quarter there were no forfeitures or vesting of stock options or non-vested shares. On June 10, 2008, options to purchase 4,350 shares of common stock at an exercise price of $24.96 per share were granted to an outside director upon his election to the Company's board of directors.

As of June 30, 2008, there was approximately $0.1 million of total unrecognized compensation cost related to non-vested shares to be recognized over a weighted-average period of approximately one year. Compensation expense recorded for the three month periods ending June 30, 2008 and 2007 related to the non-vested common stock and common stock options was $94,000 and $0, respectively. Compensation expense recorded for the six month periods ending June 30, 2008 and 2007 related to the non-vested common stock and common stock options was $185,000 and $0, respectively.

**(4) Inventories**

Inventories consist primarily of crude oil, blending stock and components, work in progress, fertilizer products, and refined fuels and by-products. Inventories are valued at the lower of the first-in, first-out (FIFO) cost, or market, for fertilizer products, refined fuels and by-products for all periods presented. Refinery unfinished and finished products inventory values were determined using the ability-to-bare process, whereby raw materials and production costs are allocated to work-in-process and finished products based on their relative fair values. Other inventories, including other raw materials, spare parts, and supplies, are valued at the lower of moving-average cost, which approximates FIFO, or market. The cost of inventories includes inbound freight costs.

Inventories consisted of the following (in thousands):

| | June 30, 2008 | December 31, 2007 |
|---|---|---|
| Finished goods | $ 145,978 | $ 109,394 |
| Raw materials and catalysts | 127,902 | 92,104 |
| In-process inventories | 28,363 | 29,817 |
| Parts and supplies | 26,495 | 23,340 |
| | $ 328,738 | $ 254,655 |

**(5) Property, Plant, and Equipment**

A summary of costs for property, plant, and equipment is as follows (in thousands):

| | June 30, 2008 | December 31, 2007 |
|---|---|---|
| Land and improvements | $ 18,588 | $ 13,058 |
| Buildings | 19,170 | 17,541 |
| Machinery and equipment | 1,277,760 | 1,108,858 |
| Automotive equipment | 6,269 | 5,171 |
| Furniture and fixtures | 7,362 | 6,304 |
| Leasehold improvements | 929 | 929 |
| Construction in progress | 41,498 | 182,046 |
| | 1,371,576 | 1,333,907 |
| Accumulated depreciation | 181,655 | 141,733 |
| | $ 1,189,921 | $ 1,192,174 |

Capitalized interest recognized as a reduction in interest expense for the three month periods ended June 30, 2008 and June 30, 2007 totaled approximately $203,000 and $2,328,000, respectively. Capitalized interest for the six month periods ended June 30, 2008 and June 30, 2007 totaled approximately $1,321,000 and $6,407,000, respectively. Land and buildings that are under a capital lease obligation approximate $5,097,000.

**(6) Planned Major Maintenance Costs**

The direct-expense method of accounting is used for planned major maintenance activities. Maintenance costs are recognized as expense when maintenance services are performed. The nitrogen fertilizer plant last completed a major scheduled turnaround in the third quarter of 2006 and is scheduled to complete a turnaround in the fourth quarter of 2008. The refinery started a major scheduled turnaround in February 2007 with completion in April 2007. Costs of $10,795,000 and $76,798,000 associated with the 2007 refinery turnaround were included in direct operating expenses (exclusive of depreciation and amortization) for the three and six months ending June 30, 2007, respectively.

**(7) Cost Classifications**

Cost of product sold (exclusive of depreciation and amortization) includes cost of crude oil, other feedstocks, blendstocks, pet coke expense and freight and distribution expenses. Cost of product sold excludes depreciation and amortization of $611,000 and $577,000 for the three months ended June 30, 2008 and June 30, 2007, respectively. For the six months ended June 30, 2008 and 2007 cost of product sold excludes depreciation and amortization of $1,210,000 and $1,197,000, respectively.

Direct operating expenses (exclusive of depreciation and amortization) includes direct costs of labor, maintenance and services, energy and utility costs, environmental compliance costs as well as chemicals and catalysts and other direct operating expenses. Direct operating expenses excludes depreciation and amortization of $20,108,000 and $17,089,000 for the three months ended June 30, 2008 and 2007, respectively. For the six months ended June 30, 2008 and 2007, direct operating expenses excludes depreciation and amortization of $38,811,000 and $30,619,000, respectively.

Selling, general and administrative expenses (exclusive of depreciation and amortization) consist primarily of legal expenses, treasury, accounting, marketing, human resources and maintaining the corporate offices in Texas and Kansas. Selling, general and administrative expenses excludes depreciation and amortization of $361,000 and $291,000 for the three months ended June 30, 2008 and June 30, 2007, respectively. For the six months ended June 30, 2008 and 2007, selling, general and administrative expenses excludes depreciation and amortization of $694,000 and $376,000, respectively.

**(8) Note Payable and Capital Lease Obligations**

The Company entered into an insurance premium finance agreement with Cananwill, Inc. in July 2007 to finance the purchase of its property, liability, cargo and terrorism policies. The original balance of the note was $7.6 million and required repayment in nine equal installments with final payment due in April 2008. As of December 31, 2007 the Company owed $3.4 million related to this agreement. The balance due was paid in full in April 2008.

The Company entered into two capital leases in 2007 to lease platinum required in the manufacturing of new catalyst. The recorded lease obligations fluctuate with the platinum market price. The leases terminate on the date an equal amount of platinum is returned to each lessor, with the difference to be paid in cash. One lease was settled and terminated in January 2008. At June 30, 2008 and December 31, 2007 the lease obligations were recorded at approximately $10.5 million and $8.2 million on the Consolidated Balance Sheets, respectively.

The Company also entered into a capital lease for real property used for corporate purposes on May 29, 2008. The lease has an initial lease term of one year with an option to renew for three additional one-year periods. The Company has the option to purchase the property during the initial lease term or during the renewal periods if the lease is renewed. In connection with the capital lease the Company recorded a capital asset and capital lease obligation of $5.1 million. The capital lease obligation was reduced by $0.9 million payment made during the quarter resulting in a capital lease obligation of $4.2 million as of June 30, 2008.

**(9) Flood, Crude Oil Discharge and Insurance Related Matters**

On June 30, 2007, torrential rains in southeast Kansas caused the Verdigris River to overflow its banks and flood the town of Coffeyville, Kansas. As a result, the Company's refinery and nitrogen fertilizer plant were severely flooded, resulting in significant damage to the refinery assets. The nitrogen fertilizer facility also sustained damage, but to a much lesser degree. The Company maintained property damage insurance which included damage caused by a flood, up to $300 million per occurrence, subject to deductibles and other limitations. The deductible associated with the property damage was $2.5 million.

Additionally, crude oil was discharged from the Company's refinery on July 1, 2007 due to the short amount of time to shut down and save the refinery in preparation of the flood that occurred on June 30, 2007. The Company maintained insurance policies related to environmental cleanup costs and potential liability to third parties for bodily injury or property damage. The policies were subject to a $1.0 million self-insured retention.

The Company has submitted voluminous claims information to, and continues to respond to information requests from and negotiate with, the insurers with respect to costs and damages related to the 2007 flood and crude oil discharge. See Note 12, "Commitments and Contingent Liabilities" for additional information regarding environmental and other contingencies relating to the crude oil discharge that occurred on July 1, 2007.

As of June 30, 2008, the Company has recorded total gross costs associated with the repair of, and other matters relating to the damage to the Company's facilities and with third party and property damage remediation incurred due to the crude oil discharge of approximately $153.6 million. Total anticipated insurance recoveries of approximately $102.4 million have been recorded as of June 30, 2008 (of which $21.5 million had already been received as of June 30, 2008 by the Company from insurance carriers). At June 30, 2008, total accounts receivable from insurance were $80.9 million. The receivable balance is segregated between current and long-term in the Company's Consolidated Balance Sheet in relation to the nature and classification of the items to be settled. As of June 30, 2008, $58.7 million of the amounts receivable from insurers were not anticipated to be collected in the next twelve months, and therefore has been classified as a non-current asset.

Management believes the recovery of the receivable from the insurance carriers is probable. While management believes that the Company's property insurance should cover substantially all of the estimated total costs associated with the physical damage to the property, the Company's insurance carriers have cited potential coverage limitations and defenses, which while unlikely to preclude recovery, are anticipated to delay collection for more than twelve months.

The Company's property insurers have raised a question as to whether the Company's facilities are principally located in "Zone A," which was, at the time of the flood, subject to a $10 million insurance limit for flood or "Zone B" which was, at the time of the flood, subject to a $300 million insurance limit for flood. The Company has reached an agreement with certain of its property insurers representing approximately 32.5% of its total property coverage for the flood that the facilities are principally located in "Zone B" and therefore subject to the $300 million limit for the flood. The remaining property insurers have not, at this time, agreed to this position. The Company's primary environmental liability insurance carrier has asserted that the pollution liability claims are for "cleanup," which is subject to a $10 million sub-limit, rather than "property damage," which is covered to the limits of the policy. The excess carrier has reserved its rights under the primary carrier's position. While the Company will vigorously contest the primary carrier's position, the Company contends that if that position were upheld, the Company's umbrella and excess Comprehensive General Liability policies would continue to provide coverage for these claims. Each insurer, however, has reserved its rights under various policy exclusions and limitations and has cited potential coverage defenses. On July 10, 2008, the Company filed two lawsuits against certain of its insurance carriers. One lawsuit was filed against the nonsettling property damage insurance carriers and the second lawsuit was filed against carriers under the environmental insurance policies. The lawsuits involved the Zone A/Zone B issue and the cleanup, property damage issue described above. The Company intends to pursue the litigation vigorously. Considering the effect of the lawsuits, the Company continues to believe its receivable of $80.9 million is probable of recovery.

The Company's insurance policies also provide coverage for interruption to the business, including lost profits, and reimbursement for other expenses and costs the Company has incurred relating to the damages and losses suffered for business interruption. This coverage, however, only applies to losses incurred after a business interruption of 45 days. Because the fertilizer plant was restored to operation within this 45-day period and the refinery restarted its last operating unit in 48 days, a substantial portion of the lost profits incurred because of the flood cannot be claimed under insurance. The Company continues to assess its policies to determine how much, if any, of its lost profits after the 45-day period are recoverable. No amounts for recovery of lost profits under the Company's business interruption policy have been recorded in the accompanying consolidated financial statements.

The Company has recorded net pretax costs in total since the occurrence of the flood of approximately $51.2 million associated with both the flood and related crude oil discharge as discussed in Note 12, "Commitments and Contingent Liabilities." This amount is net of anticipated insurance recoveries of $102.4 million.

Below is a summary of the gross cost associated with the flood and crude oil discharge and reconciliation of the insurance receivable (in millions):

| | Total | For the Three Months Ended June 30, 2008 | For the Three Months Ended June 30, 2007 | For the Six Months Ended June 30, 2008 | For the Six Months Ended June 30, 2007 |
|---|---|---|---|---|---|
| Total gross costs incurred | $ 153.6 | $ (0.9) | $ 2.1 | $ 6.7 | $ 2.1 |
| Total insurance receivable | (102.4) | 4.8 | — | 3.0 | — |
| Net costs associated with the flood | $ 51.2 | $ 3.9 | $ 2.1 | $ 9.7 | $ 2.1 |

| | Receivable Reconciliation |
|---|---|
| Total insurance receivable | $ 102.4 |
| Less insurance proceeds received through June 30, 2008 | (21.5) |
| Insurance receivable | $ 80.9 |

Although the Company believes that it will recover substantial sums under its insurance policies, the Company is not sure of the ultimate amount or timing of such recovery because of the difficulty inherent in projecting the ultimate resolution of the Company's claims. The difference between what the Company ultimately receives under its insurance policies compared to what has been recorded and described above could be material to the consolidated financial statements.

In 2007, the Company received insurance proceeds of $10.0 million under its property insurance policy and $10.0 million under its environmental policies related to recovery of certain costs associated with the crude oil discharge. In the first quarter of 2008, the Company received $1.5 million under its Builder's Risk Insurance Policy. In July 2008, the Company received $13.0 million under its property insurance policy. See Note 12, "Commitments and Contingent Liabilities" for additional information regarding environmental and other contingencies relating to the crude oil discharge that occurred on July 1, 2007.

**(10) Income Taxes**

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertain Tax Positions — an interpretation of FASB No. 109* (FIN 48) on January 1, 2007. The adoption of FIN 48 did not affect the Company's financial position or results of operations. The Company does not have any unrecognized tax benefits as of June 30, 2008.

As of June 30, 2008, the Company did not have an accrual for any amounts for interest or penalties related to uncertain tax positions. The Company's accounting policy with respect to interest and penalties related to tax uncertainties is to classify these amounts as income taxes.

CVR and its subsidiaries file U.S. federal and various state income and franchise tax returns. The Company's U.S. federal income tax return for its 2005 tax year is currently under examination. The Company has not been subject to any other U.S. federal, state or local income and franchise tax examinations by taxing authorities with

Table of Contents



respect to other tax returns. The Texas taxing authority has recently contacted the Company to inform them that they will be examining the fertilizer businesses' Texas franchise tax return for the 2004 to 2007 franchise periods. The Company's U.S. federal and state tax years subject to examination are 2004 to 2007. As of June 30, 2008, no taxing authority has proposed any adjustments to the Company's tax positions.

The Company's effective tax rate for the six months ended June 30, 2008 and 2007 was 17.0% and 72.1%, respectively, as compared to the federal statutory tax rate of 35%. The effective tax rate is lower than the statutory rate for the six months ended June 30, 2008 due to federal income tax credits available to small business refiners related to the production of ultra low sulfur diesel fuel and Kansas state incentives generated under the High Performance Incentive Program (HPIP). The annualized effective tax rate in 2008 is lower than 2007 due to the correlation between the amount of credits projected to be generated in 2007 in comparison with the projected pre-tax loss levels in 2007.

## (11) Earnings (Loss) Per Share

On October 26, 2007, the Company completed the initial public offering of 23,000,000 shares of its common stock. Also, in connection with the initial public offering, a reorganization of entities under common control was consummated whereby the Company became the indirect owner of the subsidiaries of CALLC and CALLC II and all of their refinery and fertilizer assets. This reorganization was accomplished by the Company issuing 62,866,720 shares of its common stock to CALLC and CALLC II, its majority stockholders, in conjunction with a 628,667.20 for 1 stock split and the merger of two newly formed direct subsidiaries of CVR. Immediately following the completion of the offering, there were 86,141,291 shares of common stock outstanding, excluding non-vested shares issued. See Note 1, "Organization and History of Company and Basis of Presentation".

### *2008 Earnings Per Share*

Earnings per share for the three and six months ended June 30, 2008 is calculated as noted below.

| | Three Months Ended June 30, 2008 | | | Six Months Ended June 30, 2008 | | |
|---|---|---|---|---|---|---|
| | Earnings | Shares | Per Share | Earnings | Shares | Per Share |
| Basic earnings per share | $ 30,988,000 | 86,141,291 | $ 0.36 | $ 53,209,000 | 86,141,291 | $ 0.62 |
| Diluted earnings per share | $ 30,988,000 | 86,158,791 | $ 0.36 | $ 53,209,000 | 86,158,791 | $ 0.62 |

Outstanding stock options totaling 23,250 common shares were excluded from the diluted earnings per share calculation for the three and six months ended June 30, 2008 as they were antidilutive.

### *2007 Earnings (Loss) Per Share*

The computation of basic and diluted loss per share for the three and six months ended June 30, 2007 is calculated on a pro forma basis assuming the capital structure in place after the completion of the initial public offering was in place for the entire period.

Pro forma earnings (loss) per share for the three and six months ended June 30, 2007 is calculated as noted below. For the six months ended June 30, 2007, 17,500 non-vested shares of common stock have been excluded from the calculation of pro forma diluted earnings per share because the inclusion of such common stock equivalents in the number of weighted average shares outstanding would be anti-dilutive:

| | For the Three Months Ended June 30, 2007 (Unaudited) | For the Six Months Ended June 30, 2007 (Unaudited) |
|---|---|---|
| Net income (loss) | $ 100,066,000 | $ (54,307,000) |
| Pro forma weighted average shares outstanding: | | |
| Original CVR shares of common stock | 100 | 100 |
| Effect of 628,667.20 to 1 stock split | 62,866,620 | 62,866,620 |
| Issuance of shares of common stock to management in exchange for subsidiary shares | 247,471 | 247,471 |
| Issuance of shares of common stock to employees | 27,100 | 27,100 |
| Issuance of shares of common stock in the initial public offering | 23,000,000 | 23,000,000 |
| Basic weighted average shares outstanding | 86,141,291 | 86,141,291 |
| Dilutive securities — issuance of non-vested shares of common stock to board of directors | 17,500 | — |
| Diluted weighted average shares outstanding | 86,158,791 | 86,141,291 |
| Pro forma basic earnings ( loss) per share | $ 1.16 | $ (0.63) |
| Pro forma dilutive earnings (loss) per share | $ 1.16 | $ (0.63) |

## (12) Commitments and Contingent Liabilities

The minimum required payments for the Company’s lease agreements and unconditional purchase obligations are as follows (in thousands):

| | Operating Leases | Unconditional Purchase Obligations |
|---|---|---|
| Six months ending December 31, 2008 | $ 1,881 | $ 14,396 |
| Year ending December 31, 2009 | 3,293 | 28,723 |
| Year ending December 31, 2010 | 2,169 | 56,256 |
| Year ending December 31, 2011 | 950 | 54,432 |
| Year ending December 31, 2012 | 198 | 51,827 |
| Thereafter | 11 | 378,330 |
| | $ 8,502 | $ 583,964 |

The Company leases various equipment, including rail cars, and real properties under long-term operating leases, expiring at various dates. In the normal course of business, the Company also has long-term commitments to purchase services such as natural gas, electricity, water and transportation services. For the three months ended June 30, 2008 and 2007, lease expense totaled $1,003,000 and $955,000, respectively. For the six months ended June 30, 2008 and 2007, lease expense totaled $2,074,000 and $1,962,000, respectively. The lease agreements have various remaining terms. Some agreements are renewable, at the Company’s option, for additional periods. It is expected, in the ordinary course of business, that leases will be renewed or replaced as they expire.

CVR ENERGY, INC. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

From time to time, the Company is involved in various lawsuits arising in the normal course of business, including matters such as those described below under “Environmental, Health, and Safety Matters”. Liabilities related to such lawsuits are recognized when the related outcome and costs are probable and can be reasonably estimated. It is possible that management’s estimates of the outcomes will change within the next year due to uncertainties inherent in litigation and settlement negotiations. In the opinion of management, the ultimate resolution of the Company’s litigation matters is not expected to have a material adverse effect on the accompanying consolidated financial statements. There can be no assurance that management’s beliefs or opinions with respect to liability for potential litigation matters are accurate.

Crude oil was discharged from the Company’s refinery on July 1, 2007 due to the short amount of time available to shut down and secure the refinery in preparation for the flood that occurred on June 30, 2007. As a result of the crude oil discharge, two putative class action lawsuits (one federal and one state) were filed seeking unspecified damages with class certification under applicable law for all residents, domiciliaries and property owners of Coffeyville, Kansas who were impacted by the oil release.

The Company filed a motion to dismiss the federal suit for lack of subject matter jurisdiction. On November 6, 2007, the judge in the federal class action lawsuit granted the Company’s motion to dismiss for lack of subject matter jurisdiction and no appeal was taken.

With respect to the state suit, the District Court of Montgomery County, Kansas conducted an evidentiary hearing on the issue of class certification on October 24 and October 25, 2007 and ruled against the class certification leaving only the original two plaintiffs. The state suit was later settled with the two original plaintiffs and the case was dismissed.

As a result of the crude oil discharge that occurred on July 1, 2007, the Company entered into an administrative order on consent (Consent Order) with the Environmental Protection Agency (EPA) on July 10, 2007. As set forth in the Consent Order, the EPA concluded that the discharge of oil from the Company’s refinery caused and may continue to cause an imminent and substantial threat to the public health and welfare. Pursuant to the Consent Order, the Company agreed to perform specified remedial actions to respond to the discharge of crude oil from the Company’s refinery. The Company substantially completed remediating the damage caused by the crude oil discharge in July 2008 and expects any remaining minor remedial actions to be completed by December 31, 2008. The Company is currently preparing its final report to the EPA to satisfy the final requirement of the Consent Order.

As of June 30, 2008, the total gross costs recorded associated with remediation and third party property damage as of the result of the crude oil discharge for obligations approximated $52.3 million. The Company has not estimated or accrued for any potential fines, penalties or claims that may be imposed or brought by regulatory authorities or possible additional damages arising from lawsuits related to the flood as management does not believe any such fines or penalties assessed would be material nor can be estimated.

The Company also recently received sixteen notices of claims under the Oil Pollution Act from private claimants in an aggregate amount of approximately $4.4 million. No lawsuits related to these claims have yet been filed.

While the remediation efforts were substantially completed in July 2008, the costs and damages that the Company will ultimately pay may be greater than the amounts described and projected above. Such excess costs and damages could be material to the consolidated financial statements.

The Company is seeking insurance coverage for this release and for the ultimate costs for remediation, property damage claims, cleanup, resolution of class action lawsuits, and other claims brought by regulatory authorities. Our primary environmental liability insurance carrier has asserted that our pollution liability claims are for “cleanup,” which is subject to a $10 million sub-limit, rather than “property damage,” which is covered to the limits of the policy. The excess carrier has reserved its rights under the primary carrier’s position. While we will vigorously contest the primary carrier’s position, we contend that if that position were upheld, our umbrella and excess Comprehensive General Liability policies would continue to provide coverage for these claims. Each insurer, however, has reserved its rights under various policy exclusions and limitations and has cited potential coverage defenses. Although the Company believes that it is probable substantial sums under the environmental and liability insurance policies will be recovered, the Company can not be certain of the ultimate amount or timing of such recovery because of the difficulty inherent in projecting the ultimate resolution of the Company's claims. The difference between what the Company receives under its insurance policies compared to what has been recorded and described above could be material to the consolidated financial statements. The Company received $10.0 million of insurance proceeds under its environmental insurance policy in 2007.

On July 10, 2008, the Company filed two lawsuits in the United States District Court for the District of Kansas against certain of the Company's insurance carriers with regard to the Company's insurance coverage for the flood and crude oil discharge. One of the lawsuits was filed against the insurance carriers under the environmental policies.

***Environmental, Health, and Safety (EHS) Matters***

CVR is subject to various stringent federal, state, and local EHS rules and regulations. Liabilities related to EHS matters are recognized when the related costs are probable and can be reasonably estimated. Estimates of these costs are based upon currently available facts, existing technology, site-specific costs, and currently enacted laws and regulations. In reporting EHS liabilities, no offset is made for potential recoveries. Such liabilities include estimates of the Company's share of costs attributable to potentially responsible parties which are insolvent or otherwise unable to pay. All liabilities are monitored and adjusted regularly as new facts emerge or changes in law or technology occur.

CVR owns and/or operates manufacturing and ancillary operations at various locations directly related to petroleum refining and distribution and nitrogen fertilizer manufacturing. Therefore, CVR has exposure to potential EHS liabilities related to past and present EHS conditions at some of these locations.

Through Administrative Orders issued under the Resource Conservation and Recovery Act, as amended (RCRA), CVR is a potential party responsible for conducting corrective actions at its Coffeyville, Kansas and Phillipsburg, Kansas facilities. In 2005, CRNF agreed to participate in the State of Kansas Voluntary Cleanup and Property Redevelopment Program (VCPRP) to address a reported release of urea ammonium nitrate (UAN) at the Coffeyville UAN loading rack. As of June 30, 2008 and December 31, 2007, environmental accruals of $7,150,000 and $7,646,000, respectively, were reflected in the consolidated balance sheets for probable and estimated costs for remediation of environmental contamination under the RCRA Administrative Order and the VCPRP, including amounts totaling $2,529,000 and $2,802,000, respectively, included in other current liabilities. The Company's accruals were determined based on an estimate of payment costs through 2033, which scope of remediation was arranged with the EPA and are discounted at the appropriate risk free rates at June 30, 2008 and December 31, 2007, respectively. The accruals include estimated closure and post-closure costs of $1,512,000 and $1,549,000 for two landfills at June 30, 2008 and December 31, 2007, respectively. The estimated future payments for these required obligations are as follows (in thousands):

| | Amount |
|---|---|
| Six months ending December 31, 2008 | 2,186 |
| Year ending December 31, 2009 | 687 |
| Year ending December 31, 2010 | 1,556 |
| Year ending December 31, 2011 | 313 |
| Year ending December 31, 2012 | 313 |
| Thereafter | 3,282 |
| Undiscounted total | 8,337 |
| Less amounts representing interest at 3.80% | 1,187 |
| Accrued environmental liabilities at June 30, 2008 | $ 7,150 |

Management periodically reviews and, as appropriate, revises its environmental accruals. Based on current information and regulatory requirements, management believes that the accruals established for environmental expenditures are adequate.

The EPA has issued regulations intending to limit the amount of sulfur in diesel and gasoline. The EPA has granted the Company a petition for a technical hardship waiver with respect to the date for compliance in meeting the sulfur-lowering standards. CVR spent approximately $16.8 million in 2007, $79.0 million in 2006 and $27.0 million in 2005 to comply with the low-sulfur rules. CVR spent $8.2 million in the first six months of 2008 and, based on information currently available, anticipates spending approximately $9.7 million in the last six months of 2008 and $27.3 million in 2009 to comply with the low-sulfur rules. The entire amounts are expected to be capitalized.

Environmental expenditures are capitalized when such expenditures are expected to result in future economic benefits. For the three month periods ended June 30, 2008 and 2007, capital expenditures were $13,888,000 and $35,894,000, respectively. For the six month periods ended June 30, 2008 and 2007, capital expenditures were $29,361,000 and $86,581,000, respectively. These expenditures were incurred to improve the environmental compliance and efficiency of the operations.

CVR believes it is in substantial compliance with existing EHS rules and regulations. There can be no assurance that the EHS matters described above or other EHS matters which may develop in the future will not have a material adverse effect on the Company's business, financial condition, or results of operations.

CVR ENERGY, INC. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**(13) Derivative Financial Instruments**

Loss on derivatives, net consisted of the following (in thousands):

| | Three Months Ended June 30, 2008 | Three Months Ended June 30, 2007 | Six Months Ended June 30, 2008 | Six Months Ended June 30, 2007 |
|---|---|---|---|---|
| Realized loss on swap agreements | $ (52,437) | $ (88,681) | $ (73,953) | $ (97,215) |
| Unrealized loss on swap agreements | (15,990) | (68,787) | (29,896) | (188,490) |
| Realized loss on other agreements | (13,021) | (4,824) | (21,014) | (7,587) |
| Unrealized gain (loss) on other agreements | (1,781) | 3,768 | (625) | (1,563) |
| Realized gain (loss) on interest rate swap agreements | (947) | 1,077 | (425) | 2,317 |
| Unrealized gain (loss) on interest rate swap agreements | 4,871 | 1,962 | (1,263) | 94 |
| Total loss on derivatives, net | $ (79,305) | $ (155,485) | $ (127,176) | $ (292,444) |

CVR is subject to crude oil and finished goods price fluctuations caused by supply and demand conditions, weather, economic conditions, and other factors. To manage this price risk on crude oil and other inventories and to fix margins on certain future production, CVR may enter into various derivative transactions. In addition, CALLC, as further described below, entered into certain commodity derivate contracts. CVR is also subject to interest rate fluctuations. To manage interest rate risk and to meet the requirements of the credit agreements CALLC entered into an interest rate swap, as further described below as required by the long-term debt agreements.

CVR has adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* SFAS 133 imposes extensive record-keeping requirements in order to designate a derivative financial instrument as a hedge. CVR holds derivative instruments, such as exchange-traded crude oil futures, certain over-the-counter forward swap agreements and interest rate swap agreements, which it believes provide an economic hedge on future transactions, but such instruments are not designated as hedges. Gains or losses related to the change in fair value and periodic settlements of these derivative instruments are classified as loss on derivatives, net in the Consolidated Statements of Operations. For the purposes of segment reporting, realized and unrealized gains or losses related to the commodity derivative contracts are reported in the Petroleum Segment.

***Cash Flow Swap***

At June 30, 2008, CVR's Petroleum Segment held commodity derivative contracts (swap agreements) for the period from July 1, 2005 to June 30, 2010 with a related party (see Note 15, "Related Party Transactions"). The swap agreements were originally executed by CALLC on June 16, 2005 and were required under the terms of the Company's long-term debt agreement. The notional quantities on the date of execution were 100,911,000 barrels of crude oil, 1,889,459,250 gallons of heating oil and 2,348,802,750 gallons of unleaded gasoline. The swap agreements were executed at the prevailing market rate at the time of execution. At June 30, 2008 the notional open amounts under the swap agreements were 30,070,250 barrels of crude oil, 631,475,250 gallons of heating oil and 631,475,250 gallons of unleaded gasoline.

***Interest Rate Swap***

At June 30, 2008, CRLLC held derivative contracts known as interest rate swap agreements that converted CRLLC's floating-rate bank debt into 4.195% fixed-rate debt on a notional amount of $250,000,000. Half of the agreements are held with a related party (as described in Note 15, "Related Party Transactions"), and the other half are held with a financial institution that is a lender under CRLLC's long-term debt agreement. The swap agreements carry the following terms:

| Period Covered | Notional Amount | Fixed Interest Rate |
|---|---|---|
| March 31, 2008 to March 30, 2009 | $ 250 million | 4.195% |
| March 31, 2009 to March 30, 2010 | 180 million | 4.195% |
| March 31, 2010 to June 29, 2010 | 110 million | 4.195% |

CVR pays the fixed rates listed above and receives a floating rate based on three-month LIBOR rates, with payments calculated on the notional amounts listed above. The notional amounts do not represent actual amounts exchanged by the parties but instead represent the amounts on which the contracts are based. The swap is settled quarterly and marked-to-market at each reporting date, and all unrealized gains and losses are currently recognized in income. Transactions related to the interest rate swap agreements were not allocated to the Petroleum or Nitrogen Fertilizer segments.

### (14) Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This statement established a single authoritative definition of fair value when accounting rules require the use of fair value, set out a framework for measuring fair value, and required additional disclosures about fair value measurements. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The Company adopted SFAS 157 on January 1, 2008 with the exception of nonfinancial assets and nonfinancial liabilities that were deferred by FASB Staff Position 157-2 as discussed in Note 2 to the Condensed Consolidated Financial Statements. As of June 30, 2008, the Company has not applied SFAS 157 to goodwill and intangible assets in accordance with FASB Staff Position 157-2.

SFAS 157 discusses valuation techniques, such as the market approach (prices and other relevant information generated by market conditions involving identical or comparable assets or liabilities), the income approach (techniques to convert future amounts to single present amounts based on market expectations including present value techniques and option-pricing), and the cost approach (amount that would be required to replace the service capacity of an asset which is often referred to as replacement cost). SFAS 157 utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1— Quoted prices in active market for identical assets and liabilities
- Level 2 — Other significant observable inputs (including quoted prices in active markets for similar assets or liabilities)
- Level 3 — Significant unobservable inputs (including the Company's own assumptions in determining the fair value)

The following table sets forth the assets and liabilities measured at fair value on a recurring basis, by input level, as of June 30, 2008 (in thousands):

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash Flow Swap | — | $ (418,306) | — | $ (418,306) |
| Interest Rate Swap | — | (3,133) | — | (3,133) |
| Other Derivative Agreements | — | 5,678 | — | 5,678 |

The Company's derivative contracts giving rise to assets or liabilities under Level 2 are valued using pricing models based on other significant observable inputs.

## (15) Related Party Transactions

***Management Services Agreements***

GS Capital Partners V Fund, L.P. and related entities (GS) and Kelso Investment Associates VII, L.P. and related entity (Kelso) through their majority ownership of CALLC and CALLC II are majority owners of CVR.

On June 24, 2005, CALLC entered into management services agreements with each of GS and Kelso pursuant to which GS and Kelso agreed to provide CALLC with managerial and advisory services. In consideration for these services, an annual fee of $1.0 million was paid to each of GS and Kelso, plus reimbursement for any out-of-pocket expenses. The agreements terminated upon consummation of CVR's initial public offering on October 26, 2007. Relating to the agreements, the Company recorded $544,000 and $1,082,000 in selling, general, and administrative expenses (exclusive of depreciation and amortization) for the three and six months ended June 30, 2007, respectively. As these agreements were terminated on October 26, 2007 there have been no expenses recorded in 2008.

***Cash Flow Swap***

CALLC entered into certain crude oil, heating oil and gasoline swap agreements with a subsidiary of GS, J. Aron & Company (J. Aron). Additional swap agreements with J. Aron were entered into on June 16, 2005, with an expiration date of June 30, 2010 (as described in Note 13, "Derivative Financial Instruments"). These agreements were assigned to CRLLC on June 24, 2005. Losses totaling $68,427,000 and $157,468,000 were recognized related to these swap agreements for the three months ended June 30, 2008 and 2007, respectively, and are reflected in loss on derivatives, net in the Consolidated Statements of Operations. For the six months ended June 30, 2008 and 2007 the Company recognized losses of $103,849,000 and $285,705,000, respectively, which are reflected in loss on derivatives, net in the Consolidated Statements of Operations. In addition, the Consolidated Balance Sheet at June 30, 2008 and December 31, 2007 includes liabilities of $371,583,000 and $262,415,000, respectively, included in current payable to swap counterparty, and $46,723,000 and $88,230,000, respectively, included in long-term payable to swap counterparty.

***J. Aron Deferral***

As a result of the flood and the temporary cessation of business operations in 2007, the Company entered into three separate deferral agreements for amounts owed to J. Aron. The amount deferred, excluding accrued interest, totaled $123.7 million. These amounts were ultimately deferred to August 31, 2008. As discussed in further detail below, a portion of the deferred amounts may be further deferred until July 31, 2009.

These deferred payment amounts are included in the Consolidated Balance Sheet at June 30, 2008 in current payable to swap counterparty. The deferred balance owed to the GS subsidiary, excluding accrued interest payable, totaled $123.7 million at June 30, 2008. Approximately $6,210,000 of accrued interest payable related to the deferred payments is included in other current liabilities at June 30, 2008.

On July 29, 2008, CRLLC entered into a revised letter agreement with the J. Aron to defer further $87.5 million of the deferred payment amounts under the 2007 deferral agreements. The unpaid deferred amounts and all accrued and unpaid interest are due and payable in full on December 15, 2008. If the Company receives proceeds, net of fees, under a convertible debt offering, in an aggregate principal amount of at least $125.0 million by December 15, 2008, the maturity date will be automatically extended to July 31, 2009 provided also that there has been no default by the Company in the performance of its obligations under the revised letter agreement. GS and Kelso each agreed to guarantee one half of the deferred payment of $87.5 million. CRLLC has agreed to repay deferred amounts equal to the sum of $36.2 million plus all accrued and unpaid interest by no later than August 31, 2008.

Beginning on August 31, 2008, interest shall accrue and be payable on the unpaid deferred amount of $87.5 million at the rate of LIBOR plus 2.75%. Under the terms of the deferral, the Company will be required to use the substantial majority of any gross proceeds from the pending convertible debt offering (or other debt) in excess of $125.0 million to prepay a portion of the deferred amounts. There is no certainty that the convertible debt offering will be completed. The revised agreement requires CRLLC to prepay the deferred amount each quarter with the greater of 50% of free cash flow or $5.0 million. Failure to make the quarterly prepayments will result in an increase in the interest rate that accrues on the deferred amounts.

***Interest Rate Swap***

On June 30, 2005, CALLC entered into three interest-rate swap agreements with J. Aron (as described in Note 13, "Derivative Financial Instruments"). Gains totaling $1,962,000 and $1,523,000 were recognized related to these swap agreements for the three months ended June 30, 2008 and 2007, respectively, and are reflected in loss on derivatives, net in the Consolidated Statements of Operations. For the six months ended June 20, 2008 and 2007, the Company recognized losses totaling $851,000 and gains totaling $1,211,000, respectively related to these swap agreements which are reflected in loss on derivatives, net, in the Consolidated Statements of Operations. In addition, the Consolidated Balance Sheet at June 30, 2008 and December 31, 2007 includes $783,000 and $371,000, respectively, in other current liabilities and $783,000 and $557,000, respectively, in other long-term liabilities related to the same agreements.

***Crude Oil Supply Agreement***

Coffeyville Resources Refining & Marketing, LLC (CRRM), a subsidiary of the Company is a counterparty to a crude oil supply agreement with J. Aron. Under the agreement, the parties agreed to negotiate the cost of each barrel of crude oil to be purchased from a third party, and CRRM agreed to pay J. Aron a fixed supply service fee per barrel over the negotiated cost of each barrel of crude purchased. The cost is adjusted further using a spread adjustment calculation based on the time period the crude oil is estimated to be delivered to the refinery, other market conditions, and other factors deemed appropriate. The Company recorded $0 and $360,000 on the Consolidated Balance Sheets at June 30, 2008 and December 31, 2007, respectively, in prepaid expenses and other current assets for the prepayment of crude oil. In addition, $64,960,000 and $43,773,000 were recorded in inventory and $17,381,000 and $42,666,000 were recorded in accounts payable at June 30, 2008 and December 31, 2007, respectively. Expenses associated with this agreement included in cost of product sold (exclusive of depreciation and amortization) for the three month periods ended June 30, 2008 and 2007 totaled $907,915,000 and $344,607,000, respectively. For the six months ended June 30, 2008 and 2007, the Company recognized expenses of $1,674,128,000 and $520,914,000, respectively, associated with this agreement included in cost of product sold (exclusive of depreciation and amortization).

**(16) Business Segments**

CVR measures segment profit as operating income for Petroleum and Nitrogen Fertilizer, CVR's two reporting segments, based on the definitions provided in SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. All operations of the segments are located within the United States.

***Petroleum***

Principal products of the Petroleum Segment are refined fuels, propane, and petroleum refining by-products including pet coke. CVR sells the pet coke to the Partnership for use in the manufacturing of nitrogen fertilizer at the adjacent nitrogen fertilizer plant. For CVR, a per-ton transfer price is used to record intercompany sales on the part of the Petroleum Segment and corresponding intercompany cost of product sold (exclusive of depreciation and amortization) for the Nitrogen Fertilizer Segment. The per ton transfer price paid, pursuant to the coke supply agreement that became effective October 24, 2007, is based on the lesser of a coke price derived from the priced received by the fertilizer segment for UAN (subject to a UAN based price ceiling and floor) and a coke price index for pet coke. Prior to October 25, 2007 intercompany sales were based upon a price of $15 per ton. The intercompany transactions are eliminated in the Other Segment. Intercompany sales included in petroleum net sales were $2,800,000 and $1,301,000 for the three months ended June 30, 2008 and 2007, respectively. Intercompany sales included in petroleum net sales were $5,606,000 and $1,881,000 for the six months ended June 30, 2008 and 2007, respectively.

Intercompany cost of product sold (exclusive of depreciation and amortization) for the hydrogen sales described below under "— Nitrogen Fertilizer" was $2,600,000 and $5,189,000 for the three months ended June 30, 2008 and 2007, respectively. The intercompany cost of product sold (exclusive of depreciation and amortization) for the hydrogen sales described below under ''— Nitrogen Fertilizer" was $7,891,000 and $8,018,000 for the six months ended June 30, 2008 and 2007, respectively.

***Nitrogen Fertilizer***

The principal product of the Nitrogen Fertilizer Segment is nitrogen fertilizer. Intercompany cost of product sold (exclusive of depreciation and amortization) for the coke transfer described above was $2,325,000 and $1,116,000 for the three months ended June 30, 2008 and 2007, respectively. Intercompany cost of product sold (exclusive of depreciation and amortization) for the coke transfer described above was $4,871,000 and $1,966,000 for the six months ended June 30, 2008 and 2007, respectively.

Beginning in 2008, the Nitrogen Fertilizer Segment changed the method of classification of intercompany hydrogen sales to the Petroleum Segment. In 2008, these amounts have been reflected as "Net Sales" for the fertilizer plant. Prior to 2008, the Nitrogen Fertilizer Segment reflected these transactions as a reduction of cost of product sold (exclusive of deprecation and amortization). For the quarters ended June 30, 2008 and 2007, the net sales generated from intercompany hydrogen sales were $2,600,000 and $5,189,000, respectively. For the six months ended June 30, 2008 and 2007, hydrogen sales were $7,891,000 and $8,018,000, respectively. As noted above, the net sales of $5,189,000 and $8,018,000 were included as a reduction to the cost of product sold (exclusive of depreciation and amortization) for the three and six months ended June 30, 2007. As these intercompany sales are eliminated, there is no financial statement impact on the consolidated financial statements.

**CVR ENERGY, INC. AND SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

***Other Segment***

The Other Segment reflects intercompany eliminations, cash and cash equivalents, all debt related activities, income tax activities and other corporate activities that are not allocated to the operating segments.

| | Three Months Ended June 30, 2008 | Three Months Ended June 30, 2007 | Six Months Ended June 30, 2008 | Six Months Ended June 30, 2007 |
|---|---|---|---|---|
| | (In thousands) | | (In thousands) | |
| Net sales | | | | |
| Petroleum | $ 1,459,101 | $ 808,954 | $ 2,627,602 | $ 1,161,442 |
| Nitrogen Fertilizer | 58,802 | 35,760 | 121,401 | 74,335 |
| Intersegment eliminations | (5,400) | (1,301) | (13,497) | (1,881) |
| Total | $ 1,512,503 | $ 843,413 | $ 2,735,506 | $ 1,233,896 |
| Cost of product sold (exclusive of depreciation and amortization) | | | | |
| Petroleum | $ 1,285,556 | $ 570,610 | $ 2,320,642 | $ 869,069 |
| Nitrogen Fertilizer | 6,846 | 129 | 15,791 | 6,190 |
| Intersegment eliminations | (4,925) | (1,116) | (12,762) | (1,966) |
| Total | $ 1,287,477 | $ 569,623 | $ 2,323,671 | $ 873,293 |
| Direct operating expenses (exclusive of depreciation and amortization) | | | | |
| Petroleum | $ 42,684 | $ 44,467 | $ 82,974 | $ 141,141 |
| Nitrogen Fertilizer | 19,652 | 16,488 | 39,918 | 33,226 |
| Other | — | — | — | — |
| Total | $ 62,336 | $ 60,955 | $ 122,892 | $ 174,367 |
| Net costs associated with flood | | | | |
| Petroleum | $ 3,369 | $ 2,035 | $ 8,902 | $ 2,035 |
| Nitrogen Fertilizer | 34 | 104 | 17 | 104 |
| Other | 493 | — | 740 | — |
| Total | $ 3,896 | $ 2,139 | $ 9,659 | $ 2,139 |
| Depreciation and amortization | | | | |
| Petroleum | $ 16,273 | $ 13,285 | $ 31,150 | $ 23,079 |
| Nitrogen Fertilizer | 4,486 | 4,397 | 8,963 | 8,791 |
| Other | 321 | 275 | 602 | 322 |
| Total | $ 21,080 | $ 17,957 | $ 40,715 | $ 32,192 |
| Operating income (loss) | | | | |
| Petroleum | $ 101,878 | $ 166,338 | $ 165,495 | $ 102,870 |
| Nitrogen Fertilizer | 23,145 | 11,710 | 49,162 | 21,029 |
| Other | (2,071) | (246) | (4,347) | (81) |
| Total | $ 122,952 | $ 177,802 | $ 210,310 | $ 123,818 |
| Capital expenditures | | | | |
| Petroleum | $ 16,589 | $ 104,586 | $ 39,130 | $ 211,087 |
| Nitrogen Fertilizer | 6,302 | 2,244 | 9,119 | 2,646 |
| Other | 588 | (140) | 1,386 | 320 |
| Total | $ 23,479 | $ 106,690 | $ 49,635 | $ 214,053 |

**CVR ENERGY, INC. AND SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

| | As of June 30, 2008 | As of December 31, 2007 |
|---|---|---|
| Total assets | | |
| Petroleum | $ 1,398,869 | $ 1,277,124 |
| Nitrogen Fertilizer | 465,837 | 446,763 |
| Other | 114,476 | 144,469 |
| Total | $ 1,979,182 | $ 1,868,356 |
| Goodwill | | |
| Petroleum | $ 42,806 | $ 42,806 |
| Nitrogen Fertilizer | 40,969 | 40,969 |
| Total | $ 83,775 | $ 83,775 |

**(17) Subsequent Events**

***Secondary Offering***

CVR filed a registration statement with the SEC on June 19, 2008 in which CVR's majority stockholders and chairman planned to offer 10 million shares of the Company's common stock. The Company announced on July 30, 2008 that the majority stockholders elected not to proceed with the proposed secondary offering at the current time due to then-existing market conditions. The registration statement remains on file with the SEC, and the selling stockholders may elect to proceed with the equity offering in the future.

***SemGroup L.P Bankruptcy***

Subsequent to June 30, 2008 SemGroup, L.P., a customer, filed a petition for bankruptcy under Chapter 11 of the Bankruptcy Code. At June 30, 2008, SemGroup, L.P. owed the Company approximately $3.7 million. While the Company will seek payment of the pre-petition amount, the Company believes the likelihood of recovery is no longer probable. The receivable balance of $3.7 million was fully reserved as of June 30, 2008. The Company has no further exposure related to the bankruptcy filing of SemGroup, L.P.

***Insurance Renewal***

On July 1, 2008, we renewed and/or renegotiated our primary lines of insurance including workers compensation, automobile and general liability, umbrella and excess liability, property and business interruption, cargo, terrorism and crime. Due to a combination of factors including replacement cost escalation, our outstanding claim related to the flood of June 2007 and flooding in the Midwest in the spring of 2008, the cost of these primary lines of insurance, especially with respect to property and business interruption coverage, increased substantially. For the annual period of July 1, 2008 to July 1, 2009, the cost for these primary lines of coverage increased approximately 45% to $15.7 million from $10.8 million for the annual period of July 1, 2007 to July 1, 2008. The Company entered into an insurance premium financing agreement in July 2008 to finance $10.0 million of the $15.7 million insurance premium.

***Convertible Notes Offering***

On June 19, 2008, CVR filed a registration statement with the SEC in connection with a proposed offering of $125.0 million aggregate principal amount of CVR's Convertible Senior Notes due 2013. CVR filed an amendment to the aforementioned registration statement on July 25, 2008. Under the proposed terms, CVR may sell up to an additional $18.75 million aggregate principal amount of notes upon exercise of an over-allotment option that CVR expects to grant to the underwriters in connection with the offering.

As proposed, the notes will be convertible, under certain circumstances, into cash, shares of CVR common stock or a combination of cash and shares, at CVR's election. It is CVR's current intent to settle the principal amount of any conversions in cash for the principal amount of the notes and a combination of cash and shares for the excess, if any, of the conversion value above the principal amount. The coupon, conversion price and other terms of the notes will be determined at the time of pricing the offering. CVR intends to use the net proceeds from the offering for general corporate purposes, which may include using a portion of the proceeds for future capital investments. Any proceeds, net of fees, in excess of $125.0 million will be used to prepay a portion of the amounts owed to J. Aron under the revised deferral agreement. A portion of the proceeds will be used to purchase government securities in an amount equal to the first six interest payments due under the notes. The government securities will be deposited into an escrow account under a pledge and escrow agreement which will secure payment of the first six scheduled interest payments on the notes.

There can be no assurance that any such offering will be consummated on the terms discussed in the registration statement or at all.

**Item 2.** ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes and with the statistical information and financial data appearing in this Quarterly Report on Form 10-Q for quarter ended June 30, 2008 as well as the Company's Annual Report on Form 10-K/A for the year ended December 31, 2007. Results of operations for the three and six month periods ended June 30, 2008 are not necessarily indicative of results to be attained for any other period.

**Forward-Looking Statements**

This Form 10-Q, including this Management's Discussion and Analysis of Financial Condition and Results of Operations, contains "forward-looking statements" as defined by the SEC. Such statements are those concerning contemplated transactions and strategic plans, expectations and objectives for future operations. These include, without limitation:

- statements, other than statements of historical fact, that address activities, events or developments that we expect, believe or anticipate will or may occur in the future;
- statements relating to future financial performance, future capital sources and other matters; and
- any other statements preceded by, followed by or that include the words "anticipates," "believes," "expects," "plans," "intends," "estimates," "projects," "could," "should," "may," or similar expressions.

Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Form 10-Q, including this Management's Discussion and Analysis of Financial Condition and Results of Operations, are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. These statements are based on assumptions made by us based on our experience and perception of historical trends, current conditions, expected future developments and other factors that we believe are appropriate in the circumstances. Such statements are subject to a number of risks and uncertainties, many of which are beyond our control. You are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements as a result of various factors, including but not limited to those set forth under "Risk Factors" attached hereto as Exhibit 99.1.

All forward-looking statements contained in this Form 10-Q speak only as of the date of this document. We undertake no obligation to update or revise publicly any forward-looking statements to reflect events or circumstances that occur after the date of this Form 10-Q, or to reflect the occurrence of unanticipated events.

***Company Overview***

We are an independent refiner and marketer of high value transportation fuels. In addition, we currently own all of the interests (other than the managing general partner interest and associated IDRs) in a limited partnership which produces ammonia and urea ammonia nitrate, or UAN, fertilizers. At current natural gas and petroleum coke, or pet coke prices, the nitrogen fertilizer business is the lowest cost producer and marketer of ammonia and UAN fertilizers in North America.

We operate under two business segments: petroleum and nitrogen fertilizer. Our petroleum business includes a 115,000 barrel per day, or bpd, complex full coking medium sour crude refinery in Coffeyville, Kansas. In addition, supporting businesses include (1) a crude oil gathering system serving central Kansas, northern Oklahoma, and southwestern Nebraska, (2) storage and terminal facilities for asphalt and refined fuels in Phillipsburg, Kansas, (3) a 145,000 bpd pipeline system that transports crude oil to our refinery and associated crude oil storage tanks with a capacity of approximately 1.2 million barrels and (4) a rack marketing division supplying product through tanker trucks directly to customers located in close geographic proximity to Coffeyville and Phillipsburg and to customers at throughput terminals on Magellan Midstream Partners L.P.'s (Magellan) refined products distribution systems. In addition to rack sales (sales which are made at terminals into third party tanker trucks), we make bulk sales (sales through third party pipelines) into the mid-continent markets via Magellan and into Colorado and other destinations utilizing the product pipeline networks owned by Magellan, Enterprise Products Partners L.P. and NuStar Energy

L.P. Our refinery is situated approximately 100 miles from Cushing, Oklahoma, one of the largest crude oil trading and storage hubs in the United States. Cushing is supplied by numerous pipelines from locations including the U.S. Gulf Coast and Canada, providing us with access to virtually any crude variety in the world capable of being transported by pipeline.

The nitrogen fertilizer segment consists of our interest in CVR Partners, LP, a limited partnership controlled by our affiliates, which operates a nitrogen fertilizer plant and the nitrogen fertilizer business. The nitrogen fertilizer business is the lowest cost producer and marketer of ammonia and UAN in North America, at current natural gas and pet coke prices. The fertilizer plant is the only commercial facility in North America utilizing a coke gasification process to produce nitrogen fertilizers. The use of low cost by-product pet coke from our adjacent oil refinery as feedstock (rather than natural gas) to produce hydrogen provides the facility with a significant competitive advantage given the currently high and volatile natural gas prices. The plant's competition utilizes natural gas to produce ammonia.

***CVR Energy's Initial Public Offering***

On October 26, 2007 we completed an initial public offering of 23,000,000 shares of our common stock. The initial public offering price was $19.00 per share. The net proceeds to us from the sale of our common stock were approximately $408.5 million, after deducting underwriting discounts and commissions. We also incurred approximately $11.4 million of other costs related to the initial public offering. The net proceeds from the offering were used to repay $280.0 million of CVR's outstanding term loan debt and to repay in full our $25.0 million secured credit facility and $25.0 million unsecured credit facility. We also repaid $50.0 million of indebtedness under our revolving credit facility. The balance of the net proceeds received were used for general corporate purposes.

In connection with the initial public offering, we also became the indirect owner of Coffeyville Resources, LLC and all of its refinery assets. This was accomplished by CVR issuing 62,866,720 shares of its common stock to certain entities controlled by its majority stockholders pursuant to a stock split in exchange for the interests in certain subsidiaries of CALLC. Immediately following the completion of the offering, there were 86,141,291 shares of common stock outstanding, excluding shares of non-vested stock issued.

***CVR Partners' Proposed Initial Public Offering***

On February 28, 2008, the Partnership filed a registration statement with the SEC to effect an initial public offering of 5,250,000 common units representing limited partner interests. On June 13, 2008, the Company announced that the managing general partner of the Partnership had decided to postpone, indefinitely, the Partnership's initial public offering due to then-existing market conditions for master limited partnerships. The Partnership subsequently withdrew the registration statement

***CVR Energy's Proposed Secondary Offering***

CVR filed a registration statement with the SEC on June 19, 2008 in which its majority stockholders and chairman proposed to offer 10 million shares of the Company's common stock. The Company announced on July 30, 2008 that the majority stockholders elected not to proceed with the proposed secondary offering at that time due to then-existing market conditions. The registration statement remains on file with the SEC, and the selling stockholders may elect to proceed with the equity offering in the future.

***CVR Energy's Proposed Convertible Debt Offering***

CVR filed a registration statement with the SEC on June 19, 2008 in connection with a proposed offering of $125.0 million aggregate principal amount of CVR's Convertible Senior Notes due 2013. Under the proposed terms, CVR may sell up to an additional $18.75 million aggregate principal amount of notes upon exercise of an over-allotment option that CVR expects to grant to the underwriters in connection with the offering.

***Major Influences on Results of Operations***

*Petroleum Business.* Our earnings and cash flows from our petroleum operations are primarily affected by the relationship between refined product prices and the prices for crude oil and other feedstocks. Feedstocks are petroleum products, such as crude oil and natural gas liquids, that are processed and blended into refined products. The cost to acquire feedstocks and the price for which refined products are ultimately sold depend on factors beyond our control, including the supply of, and demand for, crude oil, as well as gasoline and other refined products which, in turn, depend on, among other factors, changes in domestic and foreign economies, weather conditions, domestic and foreign political affairs, production levels, the availability of imports, the marketing of competitive fuels and the extent of government regulation. Because we apply first-in, first-out, or FIFO, accounting to value our inventory, crude oil price movements may impact net income in the short term because of instantaneous changes in the value of the minimally required, unhedged on hand inventory. The effect of changes in crude oil prices on our results of operations is influenced by the rate at which the prices of refined products adjust to reflect these changes.

Feedstock and refined product prices are also affected by other factors, such as product pipeline capacity, local market conditions and the operating levels of competing refineries. Crude oil costs and the prices of refined products have, historically, been subject to wide fluctuations. An expansion or upgrade of our competitors' facilities, price volatility, international political and economic developments and other factors beyond our control are likely to continue to play an important role in refining industry economics. These factors can impact, among other things, the level of inventories in the market, resulting in price volatility and reduction in product margins. Moreover, the refining industry typically experiences seasonal fluctuations in demand for refined products, such as increases in the demand for gasoline during the summer driving season and for home heating oil during the winter, primarily in the Northeast.

In order to assess our operating performance, we compare our refining margin, calculated as the difference between net sales and cost of product sold (exclusive of depreciation and amortization), against an industry refining margin benchmark. The industry refining margin is calculated by assuming that two barrels of benchmark light sweet crude oil is converted into one barrel of conventional gasoline and one barrel of distillate. This benchmark is referred to as the 2-1-1 crack spread. Because we calculate the benchmark margin using the market value of New York Mercantile Exchange (NYMEX) gasoline and heating oil against the market value of NYMEX WTI (WTI) crude oil, we refer to the benchmark as the NYMEX 2-1-1 crack spread, or simply, the 2-1-1 crack spread. The 2-1-1 crack spread is expressed in dollars per barrel and is a proxy for the per barrel margin that a sweet crude refinery would earn assuming it produced and sold the benchmark production of gasoline and heating oil.

Crude oil costs are at historic highs. West Texas Intermediate crude oil averaged $111 per barrel for the six months ended June 30, 2008, as compared to $62 per barrel during the comparable period in 2007. Crude oil costs continued to rise during the second quarter of 2008. WTI crude oil prices averaged over $134 per barrel in June 2008 and spiked to $140 per barrel on June 30, 2008. Every barrel of crude oil that we process yields approximately 88% high performance transportation fuels and approximately 12% less valuable byproducts such as pet coke, slurry and sulfur and volumetric losses (lost volume resulting from the change from liquid form to solid). Whereas crude oil costs have increased, sales prices for many byproducts have not increased in the same proportions, resulting in lower earnings. Refined product prices have also failed to keep pace with crude oil costs.

In the event refined product sales prices increase proportionally with crude oil prices, the loss on byproduct sales and volumetric loss on crude oil processed are more than offset by refined fuel margins, but in the recent crude price run up refined fuels have failed to keep pace with crude oil costs as evidence by the narrowed 2-1-1 crack spread as a percentage of crude oil prices. For the second quarter of 2007 the 2-1-1 crack spread as percentage of crude oil price was approximately 33.8% compared to only 13.7% in the second quarter of 2008.

Although crack spreads are relatively low compared to historical levels as a percentage of crude oil price, the absolute value of the NYMEX 2-1-1 crack spread for the second quarter of 2008 was $17.02 per barrel, which is well above the fixed value of Cash Flow Swap for the quarter of $8.45 per barrel. Because the actual NYMEX 2-1-1 crack spread was greater than the Cash Flow Swap fixed value, we incurred a realized loss of $52.4 million for the quarter on 6.1 million hedged barrels. The absolute value NYMEX 2-1-1 crack spread will continue to have a significant impact on our financial results due to the Cash Flow Swap until June 30, 2009, when the number of barrels subject to the Cash Flow Swap decreases from approximately 6.2 million barrels per quarter to 1.5 million barrels per quarter.

Although the 2-1-1 crack spread is a benchmark for our refinery margin, because our refinery has certain feedstock costs and/or logistical advantages as compared to a benchmark refinery and our product yield is less than total refinery throughput, the crack spread does not account for all the factors that affect refinery margin. Our refinery is able to process a blend of crude oil that includes quantities of heavy and medium sour crude oil that has historically cost less than WTI crude oil. We measure the cost advantage of our crude oil slate by calculating the spread between the price of our delivered crude oil to the price of WTI crude oil, a light sweet crude oil. The spread is referred to as our consumed crude differential. Our refinery margin can be impacted significantly by the consumed crude differential. Our consumed crude differential will move directionally with changes in the West Texas Sour (WTS) differential to WTI and the Western Canadian Select (WCS) differential to WTI as both these differentials indicate the relative price of heavier, more sour, slate to WTI. The WTI-WCS differential for the second quarter of 2008 was $22.94 a barrel as compared to $17.99 a barrel in the second quarter of 2007. The differential for the first quarter of 2008 was $19.84 a barrel. As a percentage of WTI, however, this metric averaged 72% of WTI in the 2007 period compared to 82% in the second quarter of 2008. The correlation between our consumed crude differential and published differentials will vary depending on the volume of light medium sour crude and heavy sour crude we purchase as a percent of our total crude volume and will correlate more closely with such published differentials than the heavier and more sour the crude oil slate.

Our petroleum business has been impacted by lower refining margins, reduced demand and our Cash Flow Swap. While improving somewhat from their recent lows, midcontinent refining margins remain below historical metrics when factoring in the high cost of crude. Increased throughput at our recently expanded refinery provides some offset of these factors. Historically, the strongest refining margins occur during the second and third quarters based on gasoline and diesel demand, and while crude oil prices have declined sharply from recent highs, crack spreads have not yet improved in line with the crude price declines due to continuing gasoline demand weakness.

We produce a high volume of high value products, such as gasoline and distillates. Approximately 40% of our product slate is ultra low sulfur diesel, which provides us with income tax credits and is currently selling at higher margins than gasoline. Gasoline production was approximately 44% of our second quarter production, down from 48% in the first quarter of 2008. We continue to maximize distillate production, which comprised 40% of our production in the second quarter of 2008 compared to 39% in the first quarter of 2008. The balance of our production is devoted to other products, including the petroleum coke used by the nitrogen fertilizer business. We benefit from the fact that our marketing region consumes more refined products than it produces so that the market prices of our products have to be high enough to cover the logistics cost for the U.S. Gulf Coast refineries to ship into our region. The result of this logistical advantage and the fact the actual product specification used to determine the NYMEX is different from the actual production in the refinery is that prices we realize are different than those used in determining the 2-1-1 crack spread. The difference between our price and the price used to calculate the 2-1-1 crack spread is referred to as gasoline PADD II, Group 3 vs. NYMEX basis, or gasoline basis, and heating oil PADD II, Group 3 vs. NYMEX basis, or heating oil basis. The Group 3 basis differential averaged $0.28 a barrel in the second quarter of 2008, compared to $7.83 a barrel in the comparable period of 2007. The Group 3 basis has returned to positive territory after being negative recently, and was $4.15 per barrel on August 12, 2008, which is in line with the 3-year basis average.

Our direct operating expense structure is also important to our profitability. Major direct operating expenses include energy, employee labor, maintenance, contract labor, and environmental compliance. Our predominant variable cost is energy which is comprised primarily of electrical cost and natural gas. We are therefore sensitive to the movements of natural gas prices.

Consistent, safe, and reliable operations at our refinery are key to our financial performance and results of operations. Unplanned downtime at our refinery may result in lost margin opportunity, increased maintenance expense and a temporary increase in working capital investment and related inventory position. We seek to mitigate the financial impact of planned downtime, such as major turnaround maintenance, through a diligent planning process that takes into account the margin environment, the availability of resources to perform needed maintenance, feedstock and other factors.

*Nitrogen Fertilizer Business.* In the nitrogen fertilizer business, earnings and cash flow from operations are primarily affected by the relationship between nitrogen fertilizer product prices and direct operating expenses. Unlike its competitors, the nitrogen fertilizer business uses minimal natural gas as feedstock and, as a result, is not directly impacted in terms of cost by high or volatile swings in natural gas prices. Instead, our adjacent oil refinery supplies the majority of the pet coke feedstock needed by the nitrogen fertilizer business. The price at which nitrogen fertilizer products are ultimately sold depends on numerous factors, including the supply of, and the demand for, nitrogen fertilizer products which, in turn, depends on, among other factors, the price of natural gas, the cost and availability of fertilizer transportation infrastructure, changes in the world population, weather conditions, grain production levels, the availability of imports, and the extent of government intervention in agriculture markets. While net sales of the nitrogen fertilizer business could fluctuate significantly with movements in natural gas prices during periods when fertilizer markets are weak and nitrogen fertilizer products sell at the low, high natural gas prices do not force the nitrogen fertilizer business to shut down its operations because it employs pet coke as a feedstock to produce ammonia and UAN rather than natural gas.

Second quarter 2008 NYMEX natural gas prices averaged $11.47 per million Btus compared with $7.66 per million Btus for the comparable period in 2007. This rise in natural gas prices implies a minimum increase of $120 per ton in production costs for North American producers in an environment where our production cost is substantially unchanged.

Nitrogen fertilizer prices are also affected by other factors, such as local market conditions and the operating levels of competing facilities. Natural gas costs and the price of nitrogen fertilizer products have historically been subject to wide fluctuations. An expansion or upgrade of competitors' facilities, price volatility, international political and economic developments and other factors are likely to continue to play an important role in nitrogen fertilizer industry economics. These factors can impact, among other things, the level of inventories in the market, resulting in price volatility and a reduction in product margins. Moreover, the industry typically experiences seasonal fluctuations in demand for nitrogen fertilizer products.

The demand for fertilizers is affected by the aggregate crop planting decisions and fertilizer application rate decisions of individual farmers. Individual farmers make planting decisions based largely on the prospective profitability of a harvest, while the specific varieties and amounts of fertilizer they apply depend on factors like crop prices, their current liquidity, soil conditions, weather patterns and the types of crops planted.

The value of nitrogen fertilizer products is also an important consideration in understanding our results. The nitrogen fertilizer business generally upgrades approximately two-thirds of its ammonia production into UAN, a product that presently generates a greater value than ammonia. It takes approximately .41 tons of ammonia to produce 1 ton of 32% UAN. UAN production is a major contributor to our profitability. We continue with plans for full conversion of our ammonia product line to UAN and for expansion of total UAN capacity from 2,000 to 3,000 tons per day. In order to assess the value of nitrogen fertilizer products, we calculate netbacks, also referred to as plant gate price. Netbacks refer to the unit price of fertilizer, in dollars per ton, offered on a delivered basis, less the costs to ship.

Prices for both ammonia and UAN for the quarter ended June 30, 2008 reflect strong current demand for these products. Ammonia plant gate prices averaged $528 per ton for the second quarter ended June 30, 2008, compared to $366 per ton during the comparable period in 2007. UAN prices averaged $303 per ton for the second quarter ended June 30, 2008, compared to $218 per ton during the comparable 2007 period. The prices of both ammonia and UAN continue to rise. Our order book as of July 31, 2008 contains an average net back price of ammonia and UAN of $760 and $360 per ton, respectively. As of mid-August 2008, ammonia prices exceeded $800 per ton for prompt shipment and $1,000 per ton for spring delivery, and UAN prices have exceeded $500 per ton. Industry forecasts for the second half of 2008 and the first half of 2009 for ammonia are in the $1,075 per ton range and for UAN are in the $540 per ton range. Actual future prices will depend on supply and demand and other factors described herein.

The direct operating expense structure of the nitrogen fertilizer business is also important to its profitability. Using a pet coke gasification process, the nitrogen fertilizer business has significantly higher fixed costs than natural gas-based fertilizer plants. Major direct operating expenses include electrical energy, employee labor, maintenance, including contract labor, and outside services. These costs comprise the fixed costs associated with the fertilizer plant.

The nitrogen fertilizer business generally undergoes a facility turnaround every two years. The turnaround typically lasts 15-20 days and requires approximately $2-3 million in direct costs per turnaround. The next facility turnaround is currently scheduled for the fourth quarter of 2008.

***Factors Affecting Comparability of Our Financial Results***

Our historical results of operations for the periods presented may not be comparable with prior periods or to our results of operations in the future for the reasons discussed below.

**2007 Flood and Crude Oil Discharge**

During the weekend of June 30, 2007, torrential rains in southeast Kansas caused the Verdigris River to overflow its banks and flood the town of Coffeyville, Kansas. Our refinery and nitrogen fertilizer plant, which are located in close proximity to the Verdigris River, were severely flooded, sustained major damage and required extensive repairs.

As a result of the flooding, our refinery and nitrogen fertilizer facilities stopped operating on June 30, 2007. The refinery started operating its reformer on August 6, 2007 and began to charge crude oil to the facility on August 9, 2007. Substantially all of the refinery's units were in operation by August 20, 2007. The nitrogen fertilizer facility, situated on slightly higher ground, sustained less damage than the refinery. The nitrogen fertilizer facility initiated startup at its production facility on July 13, 2007. Due to the down time, we experienced a significant revenue loss attributable to the property damage during the period when the facilities were not in operation. Total gross costs incurred and recorded as of June 30, 2008 related to the third party costs to repair the refinery and fertilizer facilities were approximately $76.9 million and $4.3 million, respectively.

In addition, despite our efforts to secure the refinery prior to its evacuation as a result of the flood, we estimate that 1,919 barrels (80,600 gallons) of crude oil and 226 barrels of crude oil fractions were discharged from our refinery into the Verdigris River flood waters beginning on or about July 1, 2007. We substantially completed remediating the damage caused by the crude oil discharge in July 2008 and expect any remaining minor remedial actions to be completed by December 31, 2008. In 2007, the Company had received insurance proceeds of $10.0 million under its property insurance policy, and $10.0 million under its environmental policies related to recovery of certain costs associated with the crude oil discharge. In the first quarter of 2008 the Company received $1.5 million under its Builders Risk Insurance Policy. In July 2008 the Company received $13.0 million under its property insurance policy.

The Company also recently received sixteen notices of claims under the Oil Pollution Act from private claimants in an aggregate amount of approximately $4.4 million. No lawsuits related to these claims have yet been filed.

As of June 30, 2008, the Company has recorded total gross costs associated with the repair of, and other matters relating to the damage to the Company's facilities and with third party and property damage remediation incurred due to the crude oil discharge of approximately $153.6 million. Total anticipated insurance recoveries of approximately $102.4 million have been recorded as of June 30, 2008 (of which $21.5 million had already been received as of June 30, 2008 by the Company from insurance carriers). At June 30, 2008, total accounts receivable from insurance were $80.9 million. The receivable balance is segregated between current and long-term in the Company's Consolidated Balance Sheet in relation to the nature and classification of the items to be settled. As of June 30, 2008, $58.7 million of the amounts receivable from insurers were not anticipated to be collected in the next twelve months, and therefore has been classified as a non-current asset.

Below is a summary of the gross cost arising from the flood and crude oil discharge and a reconciliation of the related insurance receivable as of June 30, 2008 (in millions):

| | Total | For the Three Months Ended June 30, 2008 | For the Six Months Ended June 30, 2008 |
|---|---|---|---|
| Total gross costs incurred | $ 153.6 | $ (0.9) | $ 6.7 |
| Total insurance receivable | (102.4) | 4.8 | 3.0 |
| Net costs associated with the flood | $ 51.2 | $ 3.9 | $ 9.7 |

| | Receivable Reconciliation |
|---|---|
| Total insurance receivable | $ 102.4 |
| Less insurance proceeds received | (21.5) |
| Insurance receivable as of June 30, 2008 | $ 80.9 |

**Refinancing and Prior Indebtedness**

In October 2007, we paid down $280.0 million of outstanding long-term debt with initial public offering proceeds. In addition, proceeds of our initial public offering were used to repay in full our $25.0 million secured credit facility, our $25.0 million unsecured credit facility and $50.0 million of indebtedness under our revolving credit facility. Our Statements of Operations for the three and six months ended June 30, 2008 include interest expense of $9.5 million and $20.8 million, respectively, on term debt of $486.8 million. Interest expense for the three and six months ended June 30, 2007 totaled $15.8 million and $27.6 million, respectively, on term debt of $773.1 million.

**J. Aron Deferrals**

As a result of the flood and the temporary cessation of our operations on June 30, 2007, Coffeyville Resources, LLC entered into several deferral agreements with J. Aron & Company (J. Aron) with respect to the Cash Flow Swap, which is a series of commodity derivative arrangements whereby if crack spreads fall below a fixed level, J. Aron agreed to pay the difference to us, and if crack spreads rise above a fixed level, we agreed to pay the difference to J. Aron. These deferral agreements deferred to August 31, 2008 the payment of approximately $123.7 million plus accrued interest ($6.2 million as of June 30, 2008) which we owed to J. Aron. We were required to use 37.5% of our consolidated excess cash flow for any quarter after January 31, 2008 to prepay the deferred amounts. As of June 30, 2008 we were not required to prepay any portion of the deferred amount.

On July 29, 2008, the Company entered into a revised letter agreement with J. Aron to defer further $87.5 million of the deferred payment amounts owed under the 2007 deferral agreements. The unpaid deferred amounts and all accrued and unpaid interest are due and payable in full on December 15, 2008. If the Company incurs aggregate indebtedness in an aggregate principal amount of at least $125.0 million by December 15, 2008, the maturity date will be automatically extended to July 31, 2009 provided also that there has been no default by the Company in the performance of its obligations under the revised letter agreement. GS and Kelso each agreed to guarantee one half of the deferred payment of $87.5 million. The Company has agreed to repay deferred amounts in an amount equal to the sum of $36.2 million plus all accrued and unpaid interest ($6.7 million as of August 1, 2008) no later than August 31, 2008.

Beginning August 31, 2008, interest shall accrue and be payable on the unpaid deferred amount of $87.5 million at the rate of LIBOR plus 2.75%. Under the terms of the deferral, the Company will be required to use the substantial majority of any gross proceeds from indebtedness for borrowed money incurred by the Company or certain of its subsidiaries, including the pending convertible debt offering, in excess of $125.0 million to prepay a portion of the deferred amounts. There is no certainty that the convertible debt offering will be completed. The revised agreement requires the Company to prepay the deferred amount each quarter with the greater of 50% of free cash flow or $5.0 million. Failure to make the quarterly prepayments will result in an increase in the interest rate that accrues on the deferred amounts.

**Change in Reporting Entity as a Result of the Initial Public Offering**

Prior to our initial public offering in October 2007, our operations were conducted by an operating partnership, Coffeyville Resources, LLC. The reporting entity of the organization was also a partnership. Immediately prior to the closing of our initial public offering, Coffeyville Resources, LLC became an indirect, wholly-owned subsidiary of CVR Energy, Inc. As a result, for periods ending after October 2007, we report our results of operations and financial condition as a corporation on a consolidated basis rather than as an operating partnership.

**2007 Turnaround**

In April 2007, we completed a planned turnaround of our refining plant at a total cost approximating $80.4 million, which included $10.8 million and $76.8 million recorded in the three and six month periods ended June 30, 2007, respectively. The refinery processed crude until February 11, 2007 at which time a staged shutdown of the refinery began. The refinery recommenced operations on March 22, 2007 and continually increased crude oil charge rates until all of the key units were restarted by April 23, 2007. The turnaround significantly impacted our financial results for the first and second quarter of 2007 and had no impact on our 2008 results.

**Cash Flow Swap**

On June 16, 2005, CALLC entered into the Cash Flow Swap with J. Aron. The Cash Flow Swap was subsequently assigned from CALLC to CRLLC on June 24, 2005. The derivative took the form of three NYMEX swap agreements whereby if absolute (i.e., in dollar terms, not a percentage of crude oil prices) crack spreads fall below the fixed level, J. Aron agreed to pay the difference to us, and if absolute crack spreads rise above the fixed level, we agreed to pay the difference to J. Aron. Based upon expected crude oil capacity of 115,000 bpd, the Cash Flow Swap represents approximately 58% and 14% of crude oil capacity for the periods July 1, 2008 through June 30, 2009 and July 1, 2009 through June 30, 2010, respectively. Under the terms of our credit facility and upon meeting specific requirements related to our leverage ratio and our credit ratings, we are permitted to reduce the Cash Flow Swap to 35,000 bpd, or approximately 30% of executed crude oil capacity, for the period from April 1, 2008 through December 31, 2008. Additionally, we are allowed to terminate the Cash Flow Swap in 2009 and 2010, at which time the unrealized loss would become a fixed obligation. We have determined that the Cash Flow Swap does not qualify as a hedge for hedge accounting purposes under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. Therefore, the Statement of Operations reflects all the realized and unrealized gains and losses from this swap which can create significant changes between periods. The current environment of high and rising crude oil prices has led to higher crack spreads in absolute terms but significantly narrower crack spreads as a percentage of crude oil prices. As a result, the Cash Flow Swap, under which payments are calculated based on crack spreads in absolute terms, has had and continues to have a material negative impact on our earnings. As a result of our position in the Cash Flow Swap, we paid J. Aron $52.4 million on July 8, 2008 with respect to the quarter ending June 30, 2008. For the three and six months ended June 30, 2008 the Company recognized Loss on derivatives, net, of $79.3 million and $127.2 million, respectively, in the Statements of Operations, including realized and unrealized loss on the Cash Flow Swap of $68.4 million in the three months ended June 30, 2008 and $103.8 million in the six months ended June 30, 2008. For the three and six months ended June 30, 2007 the Company recognized a Loss on derivatives, net, of $155.5 million and $292.4 million, respectively, in the Statements of Operations. As of June 30, 2008 the Company's Consolidated Balance Sheet reflects a payable to swap counterparty of $418.3 million compared to $350.6 million as of December 31, 2007.

**Share-Based Compensation**

The Company accounts for awards under its Phantom Unit Appreciation Plan as liability based awards. In accordance with FAS 123(R), the expense associated with these awards is based on the current fair value of the awards which is derived from the Company's stock price as remeasured at each reporting date until the awards are settled.

Also, in conjunction with the initial public offering in October 2007, the override units of CALLC were modified and split evenly into override units of CALLC and CALLC II. As a result of the modification, the awards were no longer accounted for as employee awards and became subject to the accounting guidance in EITF 00-12 and EITF 96-18. In accordance with that accounting guidance, the expense associated with the awards is based on the current fair value of the awards which is derived from the Company's stock price as remeasured at each reporting date until the awards vest. Prior to October 2007, the expense associated with the override units was based on the original grant date fair value of the awards. For the three and six months ended June 30, 2008 the Company reduced the compensation expense by $10,740,000 and $11,123,000, respectively. For the three and six months ended June 30, 2007 the Company increased compensation expense by $3,041,000 and $6,783,000.

**Income Taxes**

On an interim basis, income taxes are calculated based upon an estimated annual effective tax rate for the annual period. The estimated annual effective tax rate changes primarily due to changes in projected annual pre-tax income (loss) as estimated at each interim period and due to the significant federal and state income tax credits projected to be generated. Federal income tax credits were generated related to the production of ultra-low sulfur diesel fuel and Kansas state incentives generated under the High Performance Incentive Program (HPIP) in 2007 and 2008. The projected income tax credits accompanied by increasing projected pre-tax loss for 2007 significantly impacted the estimated annual effective tax rate for 2007 and generated a significant increase to the income tax benefit recorded for the three months ended June 30, 2007. While significant income tax credits of approximately $59 million are estimated to be generated for 2008, the estimated annual effective tax rate for 2008 is determined based upon projected pre-tax income rather than projected pre-tax loss.

**Property Tax Assessments**

Our results of operations for the three and six months ending June 30, 2007 reflect minimal property tax for our fertilizer facility (due to a tax abatement). Our results of operations for the three and six months ended June 30, 2008 reflect a substantially increased property tax for our fertilizer facility, resulting from the new tax assessments by Montgomery County, Kansas with the end of a ten year tax abatement. We have appealed the assessment received in 2008 for the fertilizer facility. The refinery was reappraised in 2007 and 2008 which created a substantial increase in property tax for the refinery. We have appealed both the 2007 and 2008 assessment for the refinery and believe that tax exemptions should apply to any incremental tax which would be owed as a result of the new assessment in 2008.

**Consolidation of Nitrogen Fertilizer Limited Partnership**

Prior to the consummation of our initial public offering, we transferred our nitrogen fertilizer business to the Partnership and sold the managing general partner interest in the Partnership to a new entity owned by our controlling stockholders and senior management. As of June 30, 2008, we own all of the interests in the Partnership (other than the managing general partner interest and associated IDRs) and are entitled to all cash that is distributed by the Partnership. The Partnership is operated by our senior management pursuant to a services agreement among us, the managing general partner and the Partnership. The Partnership is managed by the managing general partner and, to the extent described below, us, as special general partner. As special general partner of the Partnership, we have joint management rights regarding the appointment, termination and compensation of the chief executive officer and chief financial officer of the managing general partner, have the right to designate two members to the board of directors of the managing general partner and have joint management rights regarding specified major business decisions relating to the Partnership. As of June 30, 2008, the Partnership had distributed $50.0 million to CVR from its Adjusted Operating Surplus.

We consolidate the Partnership for financial reporting purposes. We have determined that following the sale of the managing general partner interest to an entity owned by our controlling stockholders and senior management, the Partnership is a variable interest entity (VIE) under the provisions of FASB Interpretation No. 46R — *Consolidation of Variable Interest Entities* (FIN 46R).

Using criteria in FIN 46R, management has determined that we are the primary beneficiary of the Partnership, although 100% of the managing general partner interest is owned by a new entity owned by our controlling stockholders and senior management outside our reporting structure. Since we are the primary beneficiary, the financial statements of the Partnership remain consolidated in our financial statements. The managing general partner's interest is reflected as a minority interest on our balance sheet.

The conclusion that we are the primary beneficiary of the Partnership and required to consolidate the Partnership as a variable interest entity is based upon the fact that substantially all of the expected losses are absorbed by the special general partner, which we own. Additionally, substantially all of the equity investment at risk was contributed on behalf of the special general partner, with nominal amounts contributed by the managing general partner. The special general partner is also expected to receive the majority, if not substantially all, of the expected returns of the Partnership through the Partnership's cash distribution provisions.

We will need to reassess from time to time whether we remain the primary beneficiary of the Partnership in order to determine if consolidation of the Partnership remains appropriate on a going forward basis. Should we determine that we are no longer the primary beneficiary of the Partnership, we will be required to deconsolidate the Partnership in our financial statements for accounting purposes on a going forward basis. In that event, we would be required to account for our investment in the Partnership under the equity method of accounting, which would affect our reported amounts of consolidated revenues, expenses and other income statement items.

The principal events that would require the reassessment of our accounting treatment related to our interest in the Partnership include:

- a sale of some or all of our partnership interests to an unrelated party;
- a sale of the managing general partner interest to a third party;
- the issuance by the Partnership of partnership interests to parties other than us or our related parties; and
- the acquisition by us of additional partnership interests (either new interests issued by the Partnership or interests acquired from unrelated interest holders).

In addition, we would need to reassess our consolidation of the Partnership if the Partnership's governing documents or contractual arrangements are changed in a manner that reallocates between us and other unrelated parties either (1) the obligation to absorb the expected losses of the Partnership or (2) the right to receive the expected residual returns of the Partnership.

**Results of Operations**

The following tables summarize the financial data and key operating statistics for CVR and our two operating segments for the three and six months ended June 30, 2008 and 2007. The summary financial data for our two operating segments does not include certain SG&A expenses and depreciation and amortization related to our corporate offices. The following data should be read in conjunction with our condensed consolidated financial statements and the notes thereto included elsewhere in this Form 10-Q. All information in "Management's Discussion and Analysis of Financial Condition and Results of Operations", except for the balance sheet data as of December 31, 2007, is unaudited.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | (Unaudited) (In millions, except as otherwise indicated) | | (Unaudited) (In millions, except as otherwise indicated) | |
| **Consolidated Statement of Operations Data:** | | | | |
| Net sales | $ 1,512.5 | $ 843.4 | $ 2,735.5 | $ 1,233.9 |
| Cost of product sold (exclusive of depreciation and amortization) | 1,287.4 | 569.6 | 2,323.6 | 873.3 |
| Direct operating expenses (exclusive of depreciation and amortization) | 62.3 | 61.0 | 122.9 | 174.4 |
| Selling, general and administrative expenses (exclusive of depreciation and amortization) | 14.8 | 14.9 | 28.3 | 28.1 |
| Net costs associated with flood | 3.9 | 2.1 | 9.7 | 2.1 |
| Depreciation and amortization(1) | 21.1 | 18.0 | 40.7 | 32.2 |
| Operating income | $ 123.0 | $ 177.8 | $ 210.3 | $ 123.8 |
| Other income, net | 0.9 | 0.3 | 1.8 | 0.7 |
| Interest expense and other financing costs | (9.5) | (15.8) | (20.8) | (27.6) |
| Loss on derivatives, net | (79.3) | (155.5) | (127.2) | (292.4) |
| Income (loss) before income taxes and minority interest in subsidiaries | $ 35.1 | $ 6.8 | $ 64.1 | $ (195.5) |
| Income tax (expense) benefit | (4.1) | 93.7 | (10.9) | 141.0 |
| Minority interest in (income) loss of subsidiaries | — | (0.4) | — | 0.2 |
| Net income (loss)(2) | $ 31.0 | $ 100.1 | $ 53.2 | $ (54.3) |
| Earnings per share, basic | $ 0.36 | | $ 0.62 | |
| Earnings per share, diluted | $ 0.36 | | $ 0.62 | |
| Weighted average shares, basic | 86,141,291 | | 86,141,291 | |
| Weighted average shares, diluted | 86,158,791 | | 86,158,791 | |
| Pro forma earnings (loss) per share, basic | | $ 1.16 | | $ (0.63) |
| Pro forma earnings (loss) per share, diluted | | $ 1.16 | | $ (0.63) |
| Pro forma weighted average shares, basic | | 86,141,291 | | 86,141,291 |
| Pro forma weighted average shares, diluted | | 86,158,291 | | 86,141,291 |

| | As of June 30, 2008 (Unaudited) | As of December 31, 2007 |
|---|---|---|
| | (In millions, except as otherwise indicated) | |
| **Balance Sheet Data:** | | |
| Cash and cash equivalents | $ 20.6 | $ 30.5 |
| Working capital | (35.5) | 10.7 |
| Total assets | 1,979.2 | 1,868.4 |
| Total debt, including current portion | 522.9 | 500.8 |
| Minority interest in subsidiaries | 10.6 | 10.6 |
| Stockholders' equity | 478.1 | 432.7 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | (Unaudited) (In millions) | | (Unaudited) (In millions) | |
| **Other Financial Data:** | | | | |
| Depreciation and amortization | $ 21.1 | $ 18.0 | $ 40.7 | $ 32.2 |
| Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap(3) | 40.6 | 141.5 | 71.2 | 59.0 |
| Cash flows (used in) provided by operating activities | (0.8) | 116.6 | 23.3 | 160.7 |
| Cash flows (used in) investing activities | (23.5) | (106.7) | (49.6) | (214.1) |
| Cash flows provided by financing activities | 19.8 | 5.6 | 16.4 | 34.5 |
| Capital expenditures for property, plant and equipment | 23.5 | 106.7 | 49.6 | 214.1 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| **Key Operating Statistics:** | | | | |
| **Petroleum Business** | | | | |
| Production (barrels per day)(4) | 119,532 | 102,237 | 122,573 | 78,098 |
| Crude oil throughput (barrels per day)(4) | 104,558 | 94,667 | 105,544 | 71,098 |
| **Nitrogen Fertilizer Business** | | | | |
| Production Volume: | | | | |
| Ammonia (tons in thousands) | 79.5 | 82.8 | 163.2 | 169.0 |
| UAN (tons in thousands) | 139.1 | 138.9 | 289.2 | 304.6 |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | (Unaudited) (In millions) | | (Unaudited) (In millions) | |
| Depreciation and amortization excluded from cost of product sold | $ 0.6 | $ 0.6 | $ 1.2 | $ 1.2 |
| Depreciation and amortization excluded from direct operating expenses | 20.1 | 17.1 | 38.8 | 30.6 |
| Depreciation and amortization excluded from selling, general and administrative expenses | 0.4 | 0.3 | 0.7 | 0.4 |
| Total depreciation and amortization | $ 21.1 | $ 18.0 | $ 40.7 | $ 32.2 |

(2) The following are certain charges and costs incurred in each of the relevant periods that are meaningful to understanding our net income (loss) and in evaluating our performance:

| | Three Months Ended June 30, 2008 | Three Months Ended June 30, 2007 | Six Months Ended June 30, 2008 | Six Months Ended June 30, 2007 |
|---|---|---|---|---|
| | (Unaudited) (In millions) | | (Unaudited) (In millions) | |
| Funded letter of credit expense and interest rate swap not included in interest expense(a) | $ 2.4 | $ 0.2 | $ 3.3 | $ 0.2 |
| Major scheduled turnaround expense(b) | — | 10.8 | — | 76.8 |
| Unrealized net loss from Cash Flow Swap | 16.0 | 68.8 | 29.9 | 188.5 |

(a) Consists of fees which are expensed to selling, general and administrative expenses in connection with the funded letter of credit facility of $150.0 million issued in support of the Cash Flow Swap. We consider these fees to be equivalent to interest expense and the fees are treated as such in the calculation of EBITDA in the Credit Facility.

(b) Represents expenses associated with a major scheduled turnaround at the refinery.

(3) Net income (loss) adjusted for unrealized loss (net) from Cash Flow Swap results from adjusting for the derivative transaction that was executed in conjunction with the acquisition of Coffeyville Group Holdings, LLC by Coffeyville Acquisition LLC on June 24, 2005. On June 16, 2005, Coffeyville Acquisition LLC entered into the Cash Flow Swap with J. Aron, a subsidiary of The Goldman Sachs Group, Inc., and a related party of ours. The Cash Flow Swap was subsequently assigned from Coffeyville Acquisition LLC to Coffeyville Resources, LLC on June 24, 2005. The derivative took the form of three NYMEX swap agreements whereby if absolute (i.e., in dollar terms, not a percentage of crude oil prices) crack spreads fall below the fixed level, J. Aron agreed to pay the difference to us, and if absolute crack spreads rise above the fixed level, we agreed to pay the difference to J. Aron. Based upon expected crude oil capacity of 115,000 bpd, the Cash Flow Swap represents approximately 58% and 14% of crude oil capacity for the periods July 1, 2008 through June 30, 2009 and July 1, 2009 through June 30, 2010, respectively. Under the terms of our credit facility and upon meeting specific requirements related to our leverage ratio and our credit ratings, we are permitted to reduce the Cash Flow Swap to 35,000 bpd, or approximately 30% of executed crude oil capacity, for the period from April 1, 2008 through December 31, 2008 and terminate the Cash Flow Swap in 2009 and 2010, at which time the unrealized loss would become a fixed obligation.

We have determined that the Cash Flow Swap does not qualify as a hedge for hedge accounting purposes under current GAAP. As a result, our periodic statements of operations reflect in each period material amounts of unrealized gains and losses based on the increases or decreases in market value of the unsettled position under the swap agreements which are accounted for as a liability on our balance sheet. As the absolute crack spreads increase we are required to record an increase in this liability account with a corresponding expense entry to be made to our Statements of Operations. Conversely, as absolute crack spreads decline we are required to record a decrease in the swap related liability and post a corresponding income entry to our statement of operations. Because of this inverse relationship between the economic outlook for our underlying business (as represented by crack spread levels) and the income impact of the unrecognized gains and losses, and given the significant periodic fluctuations in the amounts of unrealized gains and losses, management utilizes Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap as a key indicator of our business performance. In managing our business and assessing its growth and profitability from a strategic and financial planning perspective, management and our board of directors considers our U.S. GAAP net income results as well as Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap. We believe that Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap enhances the understanding of our results of operations by highlighting income attributable to our ongoing operating performance exclusive of charges and income resulting from mark to market adjustments that are not necessarily indicative of the performance of our underlying business and our industry. The adjustment has been made for the unrealized loss from Cash Flow Swap net of its related tax benefit.

Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap is not a recognized term under GAAP and should not be substituted for net income as a measure of our performance but instead should be utilized as a supplemental measure of financial performance or liquidity in evaluating our business. Because Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap excludes mark to market adjustments, the measure does not reflect the fair market value of our Cash Flow Swap in our net income. As a result, the measure does not include potential cash payments that may be required to be made on the Cash Flow Swap in the future. Also, our presentation of this non-GAAP measure may not be comparable to similarly titled measures of other companies.

The following is a reconciliation of Net income (loss) adjusted for unrealized gain or loss from Cash Flow Swap to Net income (loss) (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | (Unaudited) | | (Unaudited) | |
| Net income (loss) adjusted for unrealized loss from Cash Flow Swap | $ 40.6 | $ 141.5 | $ 71.2 | $ 59.0 |
| Plus: | | | | |
| Unrealized (loss) from Cash Flow Swap, net of taxes | (9.6) | (41.4) | (18.0) | (113.3) |
| Net income (loss) | $ 31.0 | $ 100.1 | $ 53.2 | $ (54.3) |

(4) Barrels per day are calculated by dividing the volume in the period by the number of calendar days in the period. Barrels per day as shown here is impacted by plant down-time and other plant disruptions and does not represent the capacity of the facility's continuous operations.

The tables below provide an overview of the petroleum business' results of operations, relevant market indicators and its key operating statistics:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | (Unaudited) (In millions, except as otherwise indicated) | | (Unaudited) (In millions, except as otherwise indicated) | |
| **Petroleum Business Financial Results:** | | | | |
| Net sales | $ 1,459.1 | $ 809.0 | $ 2,627.6 | $ 1,161.4 |
| Cost of product sold (exclusive of depreciation and amortization) | 1,285.6 | 570.6 | 2,320.6 | 869.1 |
| Direct operating expenses (exclusive of depreciation and amortization) | 42.7 | 44.5 | 83.0 | 141.1 |
| Net costs associated with flood | 3.4 | 2.0 | 8.9 | 2.0 |
| Depreciation and amortization | 16.3 | 13.3 | 31.2 | 23.1 |
| Gross profit | $ 111.1 | $ 178.6 | $ 183.9 | $ 126.1 |
| Plus direct operating expenses (exclusive of depreciation and amortization) | 42.7 | 44.5 | 83.0 | 141.1 |
| Plus net costs associated with flood | 3.4 | 2.0 | 8.9 | 2.0 |
| Plus depreciation and amortization | 16.3 | 13.3 | 31.2 | 23.1 |
| Refining margin(1) | $ 173.5 | $ 238.4 | $ 307.0 | $ 292.3 |
| Refining margin per crude oil throughput barrel(1) | $ 18.23 | $ 27.67 | $ 15.98 | $ 22.71 |
| Gross profit per crude oil throughput barrel | $ 11.68 | $ 20.73 | $ 9.57 | $ 9.80 |
| Direct operating expenses (exclusive of depreciation and amortization) per crude oil throughput barrel | $ 4.49 | $ 5.17 | $ 4.32 | $ 10.96 |
| Operating income | 101.9 | 166.3 | 165.5 | 102.9 |

(1) Refining margin is a measurement calculated as the difference between net sales and cost of product sold (exclusive of depreciation and amortization). Refining margin is a non-GAAP measure that we believe is important to investors in evaluating our refinery's performance as a general indication of the amount above our cost of product sold that we are able to sell refined products. Each of the components used in this calculation (net sales and cost of product sold (exclusive of depreciation and amortization)) is taken directly from our Statement of Operations. Our calculation of refining margin may differ from similar calculations of other companies in our industry, thereby limiting its usefulness as a comparative measure. In order to derive the refining margin per crude oil throughput barrel, we utilize the total dollar figures for refining margin as derived above and divide by the applicable number of crude oil throughput barrels for the period.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | (Dollars per barrel) | | (Dollars per barrel) | |
| **Market Indicators:** | | | | |
| West Texas Intermediate (WTI) crude oil | $ 123.80 | $ 65.02 | $ 111.12 | $ 61.67 |
| NYMEX 2-1-1 Crack Spread | 17.02 | 22.00 | 14.48 | 17.13 |
| Crude Oil Differentials: | | | | |
| WTI less WTS (sour) | 4.62 | 4.70 | 4.63 | 4.43 |
| WTI less WCS (heavy sour) | 22.94 | 17.99 | 21.52 | 16.39 |
| WTI less Dated Brent (foreign) | 2.61 | (3.73) | 2.07 | (1.54) |
| PADD II Group 3 Basis: | | | | |
| Gasoline | (3.61) | 5.45 | (2.56) | 2.59 |
| Heating Oil | 4.17 | 10.20 | 3.91 | 9.54 |
| PADD II Group 3 Crack: | | | | |
| Gasoline | 5.84 | 34.21 | 5.43 | 23.42 |
| Heating Oil | 28.76 | 25.45 | 24.88 | 22.97 |
| **Company Operating Statistics:** | | | | |
| Per barrel profit, margin and expense of crude oil throughput: | | | | |
| Refining margin | $ 18.23 | $ 27.67 | $ 15.98 | $ 22.71 |
| Gross profit | 11.68 | 20.73 | 9.57 | 9.80 |
| Direct operating expenses (exclusive of depreciation and amortization) | 4.49 | 5.17 | 4.32 | 10.96 |
| Per gallon sales price: | | | | |
| Gasoline | 3.12 | 2.42 | 2.77 | 2.09 |
| Distillate | 3.66 | 2.15 | 3.26 | 2.03 |

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2007 | | 2008 | | 2007 | |
| | Barrels per Day | % | Barrels per Day | % | Barrels per Day | % | Barrels per Day | % |
| **Volumetric Data** | | | | | | | | |
| Production: | | | | | | | | |
| Total gasoline | 52,028 | 43.5 | 40,350 | 39.5 | 55,845 | 45.6 | 31,971 | 41.0 |
| Total distillate | 48,168 | 40.3 | 43,091 | 42.1 | 48,379 | 39.4 | 32,592 | 41.7 |
| Total other | 19,336 | 16.2 | 18,796 | 18.4 | 18,349 | 15.0 | 13,535 | 17.3 |
| Total all production | 119,532 | 100.0 | 102,237 | 100.0 | 122,573 | 100.0 | 78,098 | 100.0 |
| Crude oil throughput | 104,558 | 91.7 | 94,667 | 96.1 | 105,544 | 90.3 | 71,098 | 95.0 |
| All other inputs | 9,404 | 8.3 | 3,811 | 3.9 | 11,300 | 9.7 | 3,763 | 5.0 |
| Total feedstocks | 113,962 | 100.0 | 98,478 | 100.0 | 116,844 | 100.0 | 74,861 | 100.0 |

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2007 | | 2008 | | 2007 | |
| | Total Barrels | % | Total Barrels | % | Total Barrels | % | Total Barrels | % |
| Crude oil throughput by crude oil type: | | | | | | | | |
| Sweet | 6,784,064 | 71.3 | 5,582,320 | 64.8 | 13,350,256 | 69.5 | 8,362,963 | 65.0 |
| Light/medium sour | 1,798,300 | 18.9 | 2,618,866 | 30.4 | 3,592,083 | 18.7 | 4,092,254 | 31.8 |
| Heavy sour | 932,452 | 9.8 | 413,505 | 4.8 | 2,266,662 | 11.8 | 413,505 | 3.2 |
| Total crude oil throughput | 9,514,816 | 100.0 | 8,614,692 | 100.0 | 19,209,001 | 100.0 | 12,868,722 | 100.0 |

The tables below provide an overview of the nitrogen fertilizer business' results of operations, relevant market indicators and key operating statistics:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | (Unaudited) (In millions, except as otherwise indicated) | | (Unaudited) (In millions, except as otherwise indicated) | |
| **Nitrogen Fertilizer Business Financial Results:** | | | | |
| Net sales | $ 58.8 | $ 35.8 | $ 121.4 | $ 74.3 |
| Cost of product sold (exclusive of depreciation and amortization) | 6.8 | 0.1 | 15.8 | 6.2 |
| Direct operating expenses (exclusive of depreciation and amortization) | 19.7 | 16.5 | 39.9 | 33.2 |
| Net cost associated with flood | — | 0.1 | — | 0.1 |
| Depreciation and amortization | 4.5 | 4.4 | 9.0 | 8.8 |
| Operating income | 23.1 | 11.7 | 49.2 | 21.0 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| **Market Indicators (unaudited)** | | | | |
| Natural gas (dollars per MMBtu) | $ 11.47 | $ 7.66 | $ 10.14 | $ 7.41 |
| Ammonia — Southern Plains (dollars per ton) | 678 | 400 | 634 | 395 |
| UAN — Corn Belt (dollars per ton) | 411 | 290 | 391 | 265 |

| | Three Months Ended June 30, 2008 | Three Months Ended June 30, 2007 | Six Months Ended June 30, 2008 | Six Months Ended June 30, 2007 |
|---|---|---|---|---|
| **Company Operating Statistics (unaudited)** | | | | |
| Production (thousand tons): | | | | |
| Ammonia | 79.5 | 82.8 | 163.2 | 169.0 |
| UAN | 139.1 | 138.9 | 289.2 | 304.6 |
| Total | 218.6 | 221.7 | 452.4 | 473.6 |
| Sales (thousand tons)(1): | | | | |
| Ammonia | 19.1 | 13.4 | 43.3 | 34.1 |
| UAN | 138.6 | 126.8 | 296.6 | 293.5 |
| Total | 157.7 | 140.2 | 339.9 | 327.6 |
| Product pricing (plant gate) (dollars per ton)(1): | | | | |
| Ammonia | $ 528 | $ 366 | $ 509 | $ 354 |
| UAN | 303 | 218 | 281 | 190 |
| On-stream factor(2): | | | | |
| Gasification | 82.8% | 89.3% | 87.3% | 90.6% |
| Ammonia | 80.0% | 87.4% | 85.4% | 86.8% |
| UAN | 78.3% | 74.4% | 82.1% | 81.9% |
| Reconciliation to net sales (dollars in thousands): | | | | |
| Freight in revenue | $ 4,050 | $ 3,291 | $ 8,072 | $ 6,430 |
| Hydrogen revenue | 2,600 | — | 7,891 | — |
| Sales net plant gate | 52,152 | 32,469 | 105,438 | 67,905 |
| Total net sales | 58,802 | 35,760 | 121,401 | 74,335 |

(1) Plant gate sales per ton represents net sales less freight and hydrogen revenue divided by product sales volume in tons in the reporting period. Plant gate pricing per ton is shown in order to provide a pricing measure that is comparable across the fertilizer industry.

(2) On-stream factor is the total number of hours operated divided by the total number of hours in the reporting period.

**Three Months Ended June 30, 2008 Compared to the Three Months Ended June 30, 2007**

***Consolidated Results of Operations***

*Net Sales.* Consolidated net sales were $1,512.5 million for the three months ended June 30, 2008 compared to $843.4 million for the three months ended June 30, 2007. The increase of $669.1 million for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 was primarily due to an increase in petroleum net sales of $650.1 million that resulted from higher product prices ($422.3 million) and higher sales volumes ($227.8 million) primarily resulting from the refinery turnaround which began in February 2007 and was completed in April 2007. In addition, nitrogen fertilizer net sales increased $23.0 million for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 primarily due to higher plant gate prices ($13.3 million) and an increase in overall sales volume ($9.7 million). These results reflect, in part, refinery hardware expansions completed in 2007, particularly the CCR addition and coker expansion. The CCR produces significantly more hydrogen than the unit it replaces. As a result, our refinery purchases very little hydrogen from the fertilizer plant, allowing the fertilizer plant to use that hydrogen to produce ammonia.

*Cost of Product Sold Exclusive of Depreciation and Amortization.* Consolidated cost of product sold (exclusive of depreciation and amortization) was $1,287.5 million for the three months ended June 30, 2008 as compared to $569.6 million for the three months ended June, 2007. The increase of $717.9 million for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 was attributable to an increase in crude throughput over the comparable period as the benefits of the refinery expansion positively impacted crude oil throughput, and the refinery turnaround in April 2007 had an impact of lowering refined fuel production volume in the quarter ended June 30, 2007. Additionally, higher crude oil prices were a significant contributor to the increase.

*Direct Operating Expenses Exclusive of Depreciation and Amortization.* Consolidated direct operating expenses (exclusive of depreciation and amortization) were $62.3 million for the three months ended June 30, 2008 as compared to $61.0 million for the three months ended June 30, 2007. This increase of $1.3 million for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 was due to an increase in nitrogen fertilizer direct operating expenses of $3.2 million primarily the result of increases in expenses associated with property taxes, catalysts, outside services, repairs and maintenance, slag disposal and insurance partially offset by decreases in expenses associated with royalties and other, utilities, environmental and direct labor. The nitrogen fertilizer facility was subject to a property tax abatement that expired beginning in 2008. We have estimated our accrued property tax liability based upon the assessment value received by the county. This increase in nitrogen fertilizer expense was offset by a decrease in petroleum direct operating expenses of $1.8 million, primarily related to decreases in expenses associated with the refinery turnaround and outside services partially offset by increases in expenses associated with repairs and maintenance, utilities and energy, direct labor, environmental, production chemicals, property taxes and insurance.

*Selling, General and Administrative Expenses Exclusive of Depreciation and Amortization.* Consolidated selling, general and administrative expenses were $14.8 million for the three months ended June 30, 2008 as compared to $14.9 million for the three months ended June 30, 2007. This variance was primarily the result of decreases in administrative labor ($11.1 million) primarily related to share-based compensation which was partially offset by increases in expenses related to the write-off of deferred CVR Partners, LP initial public offering costs ($2.6 million), outside services ($2.3 million), bad debt reserve ($3.5 million), other selling, general and administrative costs ($1.0 million), asset write-off ($0.9 million) and insurance ($0.4 million).

*Net Costs Associated with Flood.* Consolidated net costs associated with flood for the three months ended June 30, 2008 approximated $3.9 million as compared to $2.1 for the three months ended June 30, 2007.

*Depreciation and Amortization.* Consolidated depreciation and amortization was $21.1 million for the three months ended June 30, 2008 as compared to $18.0 million for the three months ended June 30, 2007. The increase in depreciation and amortization for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 was primarily the result of the completion of a significant capital project in the Petroleum business in February 2008.

*Operating Income.* Consolidated operating income was $123.0 million for the three months ended June 30, 2008 as compared to operating income of $177.8 million for the three months ended June 30, 2007. For the three months ended June 30, 2008 as compared to the three months ended June 30, 2007, petroleum operating income decreased $64.4 million and nitrogen fertilizer operating income increased by $11.4 million.

*Interest Expense and Other Financing Costs.* Consolidated interest expense for the three months ended June 30, 2008 was $9.5 million as compared to interest expense of $15.8 million for the three months ended June 30, 2007. This $6.3 decrease for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 primarily resulted from an overall decrease in the index rates (primarily LIBOR) and a decrease in average borrowings outstanding during the comparable periods.

*Interest Income.* Interest income was $0.6 million for the three months ended June 30, 2008 as compared to $0.2 million for the three months ended June 30, 2007.

*Loss on Derivatives, net.* We have determined that the Cash Flow Swap and our other derivative instruments do not qualify as hedges for hedge accounting purposes under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* For the three months ended June 30, 2008, we incurred $79.3 million in losses on derivatives compared to a $155.5 million loss on derivatives for the three months ended June 30, 2007. This significant decrease in loss on derivatives, net for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 was primarily attributable to the realized and unrealized losses on our Cash Flow

Swap. Realized losses on the Cash Flow Swap for the three months ended June 30, 2008 and the three months ended June 30, 2007 were $52.4 million and $88.7 million, respectively. The decrease in realized losses over the comparable periods was primarily the result of lower average crack spreads for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007. Unrealized losses represent the change in the mark-to-market value on the unrealized portion of the Cash Flow Swap based on changes in the forward NYMEX crack spread that is the basis for the Cash Flow Swap. In addition to the mark-to-market value of the Cash Flow Swap, the outstanding term of the Cash Flow Swap at the end of each period also affects the impact that the changes in the forward NYMEX crack spread may have on the unrealized gain or loss. As of June 30, 2008, the Cash Flow Swap had a remaining term of approximately two years whereas as of June 30, 2007, the remaining term was approximately three years. As a result of the shorter remaining term as of June 30, 2008, a similar change in the forward NYMEX crack spread will have a smaller impact on the unrealized gain or loss. Unrealized losses on our Cash Flow Swap for the three months ended June 30, 2008 and the three months ended June 30, 2007 were $16.0 million and $68.8 million, respectively.

*Provision for Income Taxes.* Income tax expense for the three months ended June 30, 2008 was $4.1 million, or 12% of income before income taxes, as compared to income tax benefit of $93.7 million for the three months ended June 30, 2007. The annualized effective rate for 2007, which was applied to loss before income taxes for the three months ended June 30, 2007, is higher than the comparable annualized effective rate for 2008, primarily due to the correlation between the amount of credits which were projected to be generated in 2007 from the production of ultra low sulfur diesel fuel and the increased level of projected loss before income taxes for 2007. On an annualized basis, we expect to recognize net federal and state income tax expense at the statutory rate of approximately 39.9% on pre-tax earnings adjusted for permanent non-deductible or non-taxable items and to benefit from gross income tax credits of approximately $59 million.

*Minority Interest in (income) loss of Subsidiaries.* Minority interest in loss of subsidiaries for the three months ended June 30, 2007 was $0.4 million. Minority interest for 2007 related to common stock in two of our subsidiaries owned by our chief executive officer. In October 2007, in connection with our initial public offering, our chief executive officer exchanged his common stock in our subsidiaries for common stock of CVR.

*Net Income (Loss).* For the three months ended June 30, 2008, net income decreased to $31.0 million as compared to net income of $100.1 million for the three months ended June 30, 2007. The decrease of $69.1 million over the comparable periods was impacted by a significant income tax benefit recorded of $93.7 million for the three months ended June 30, 2007.

**Petroleum Results of Operations for the Three Months Ended June 30, 2008**

*Net Sales.* Petroleum net sales were $1,459.1 million for the three months ended June 30, 2008 compared to $809.0 million for the three months ended June 30, 2007. The increase of $650.1 million during the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 was primarily the result of higher product prices ($422.3 million) and higher sales volumes ($227.8 million). Overall sales volumes of refined fuels for the three months ended June 30, 2008 increased 20% as compared to the three months ended June 30, 2007. The increased sales volume primarily resulted from a significant increase in refined fuel production volumes over the comparable periods. In 2007, we invested in our refinery through significant capital expenditures that took place primarily in the first and second quarters of the year. As a result of this planned expansion and turnaround, crude oil throughput was lower for the second quarter of 2007. In the second quarter of 2007 crude oil throughput averaged 94,667 barrels per day compared to 104,558 barrels per day for the second quarter of 2008. In addition to the expansion that took place during 2007, we completed a significant capital project during the first quarter of 2008. The expansion allowed us to increase the level of daily throughput. Our average sales price per gallon for the three months ended June 30, 2008 for gasoline of $3.12 and distillate of $3.66 increased by 29% and 70%, respectively, as compared to the three months ended June 30, 2007.

*Cost of Product Sold Exclusive of Depreciation and Amortization.* Cost of product sold includes cost of crude oil, other feedstocks and blendstocks, purchased products for resale, transportation and distribution costs. Petroleum cost of product sold (exclusive of depreciation and amortization) was $1,285.6 million for the three months ended June 30, 2008 compared to $570.6 million for the three months ended June 30, 2007. The increase of $715.0 million during the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 was partially attributable to a 10% increase in crude oil throughput over the comparable periods as the benefits of the refinery expansion program positively impacted crude throughput. In addition to increased crude oil throughput, higher crude oil prices, increased sales volumes and the impact of FIFO accounting also impacted cost of product sold during the comparable periods. Our average cost per barrel of crude oil consumed for the three months ended June 30, 2008 was $119.64 compared to $59.69 for the comparable period of 2007, an increase of 100%. Sales volume of refined fuels increased 20% for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007. In addition, under our FIFO accounting method, changes in crude oil prices can cause fluctuations in the inventory valuation of our crude oil, work in process and finished goods, thereby resulting in FIFO inventory gains when crude oil prices increase and FIFO inventory losses when crude oil prices decrease. For the three months ended June 30, 2008, we had FIFO inventory gains of $74.0 million compared to FIFO inventory gains of $13.5 million for the comparable period of 2007.

Refining margin per barrel of crude throughput decreased from $27.67 for the three months ended June 30, 2007 to $18.23 for the three months ended June 30, 2008. Gross profit per barrel decreased to $11.68 in the first quarter of 2008, as compared to $20.73 per barrel in the equivalent period in 2007. The primary contributors to the negative variance in refining margin per barrel of crude throughput were the 23% decrease ($4.98 per barrel) in the average NYMEX 2-1-1 crack spread over the comparable periods and unfavorable regional differences between gasoline prices in our primary marketing region and those of the NYMEX. The average gasoline basis for the three months ended June 30, 2008 decreased by $9.06 per barrel to a negative basis of ($3.61) per barrel compared to positive basis of $5.45 per barrel in the comparable period of 2007. The average distillate basis decreased by $6.03 per barrel to $4.17 per barrel compared to $10.20 per barrel in the comparable period of 2007. FIFO inventory gains of $74.0 million for the three months ended June 30, 2008 as compared to FIFO inventory gains of $13.5 million for the comparable period of 2007 partially offset the negative effects of the NYMEX 2-1-1 crack spread and basis.

*Direct Operating Expenses Exclusive of Depreciation and Amortization.* Direct operating expenses for our petroleum operations include costs associated with the actual operations of our refinery, such as energy and utility costs, catalyst and chemical costs, repairs and maintenance (turnaround), labor and environmental compliance costs. Petroleum direct operating expenses (exclusive of depreciation and amortization) were $42.7 million for the three months ended June 30, 2008 compared to direct operating expenses of $44.5 million for the three months ended June 30, 2007. The decrease of $1.8 million for the three months ended June 30, 2008 compared to the three months ended June 30, 2007 was the result of decreases in expenses associated with refinery turnaround ($10.7 million) and outside services ($0.7 million). These decreases in direct operating expenses were partially offset by increases in expenses associated with repairs and maintenance ($3.8 million), utilities and energy ($2.9 million), environmental ($0.8 million), direct labor ($0.6 million), production chemicals ($0.5 million), property taxes ($0.4 million) and insurance ($0.4 million). On a per barrel of crude throughput basis, direct operating expenses per barrel of crude oil throughput for the three months ended June 30, 2008 decreased to $4.49 per barrel as compared to $5.17 per barrel for the three months ended June 30, 2007.

*Net Costs Associated with Flood.* Petroleum net costs associated with flood for the three months ended June 30, 2008 approximated $3.4 million as compared to $2.0 for the three months ended June 30, 2007.

*Depreciation and Amortization.* Petroleum depreciation and amortization was $16.3 million for the three months ended June 30, 2008 as compared to $13.3 million for the three months ended June 30, 2007. This increase in petroleum depreciation and amortization for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 was primarily the result of a large capital project completed in February 2008.

*Operating Income.* Petroleum operating income was $101.9 million for the three months ended June 30, 2008 as compared to operating income of $166.3 million for the three months ended June 30, 2007. This decrease of $64.4 million from the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 was primarily the result of a significant decrease in the NYMEX 2-1-1 crack spread and basis over the comparable periods, partially offset by FIFO inventory gains and a decrease of $1.8 million in direct operating expenses. Decreases in expenses associated with refinery turnaround ($10.7 million) and outside services ($0.7 million) were partially offset by increases in expenses associated with repairs and maintenance ($3.8 million), utilities and energy

($2.9 million), environmental ($0.8 million), direct labor ($0.6 million), production chemicals ($0.5 million), property taxes ($0.4 million) and insurance ($0.4 million).

**Nitrogen Fertilizer Results of Operations for the Three Months Ended June 30, 2008**

*Net Sales.* Nitrogen fertilizer net sales were $58.8 million for the three months ended June 30, 2008 compared to $35.8 million for the three months ended June 30, 2007. The increase of $23.0 million for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 was the result of higher plant gate prices ($13.3 million), coupled with an increase in overall sales volumes ($9.7 million) and a change in intercompany accounting for hydrogen from cost of product sold (exclusive of depreciation and amortization) to net sales ($2.6 million) over the comparable periods, which eliminates in consolidation.

In regard to product sales volumes for the three months ended June 30, 2008, our nitrogen fertilizer operations experienced an increase of 43% in ammonia sales unit volumes (5,752 tons) and an increase of 9% in UAN sales unit volumes (11,829 tons). On-stream factors (total number of hours operated divided by total hours in the reporting period) for the gasification and ammonia units were less than on-stream factors for the comparable period. On-stream factors for the UAN plant were greater than the three month period ended June 30, 2007. During the three months ended June 30, 2008, the gasification, ammonia and UAN units experienced approximately sixteen, eighteen and twenty days of downtime associated with various repairs, respectively. Our second quarter production in 2008 was below our expectations due to catalyst changeout and unscheduled downtime at our main and spare gasifiers in late May and early June 2008. It is typical to experience brief outages in complex manufacturing operations such as our nitrogen fertilizer plant which result in less than one hundred percent on-stream availability for one or more specific units.

Plant gate prices are prices FOB the delivery point less any freight cost we absorb to deliver the product. We believe plant gate price is meaningful because we sell products both FOB our plant gate (sold plant) and FOB the customer's designated delivery site (sold delivered) and the percentage of sold plant versus sold delivered can change month to month or three months to three months. The plant gate price provides a measure that is consistently comparable period to period. Plant gate prices for the three months ended June 30, 2008 for ammonia and UAN were greater than plant gate prices for the comparable period of 2007 by 44% and 39%, respectively. This dramatic increase in nitrogen fertilizer prices was not the direct result of an increase in natural gas prices, but rather the result of increased demand for nitrogen-based fertilizers due to the historically low ending stocks of global grains and a surge in prices for corn, wheat and soybeans, the primary crops in our region. This increase in demand for nitrogen-based fertilizer has created an environment in which nitrogen fertilizer prices have disconnected from their traditional correlation to natural gas prices.

The demand for fertilizer is affected by the aggregate crop planting decisions and fertilizer application rate decisions of individual farmers. Individual farmers make planting decisions based largely on the prospective profitability of a harvest, while the specific varieties and amounts of fertilizer they apply depend on factors like crop prices, their current liquidity, soil conditions, weather patterns and the types of crops planted.

*Cost of Product Sold Exclusive of Depreciation and Amortization.* Cost of product sold (exclusive of depreciation and amortization) is primarily comprised of pet coke expense and freight and distribution expenses. Cost of product sold (excluding depreciation and amortization) for the three months ended June 30, 2008 was $6.8 million compared to $0.1 million for the three months ended June 30, 2007. The increase of $6.7 million for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 was primarily the result of a change in intercompany accounting for hydrogen reimbursement. For the three months ended June 30, 2007, hydrogen reimbursement was included in cost of product sold (exclusive of depreciation and amortization). For the three months ended June 30, 2008, hydrogen has been included in net sales. These amounts eliminate in consolidation. Hydrogen is transferred from our nitrogen fertilizer operations to our petroleum operations to facilitate sulfur recovery in the ultra low sulfur diesel production unit.

*Direct Operating Expenses Exclusive of Depreciation and Amortization.* Direct operating expenses for our nitrogen fertilizer operations include costs associated with the actual operations of our nitrogen plant, such as repairs and maintenance, energy and utility costs, catalyst and chemical costs, outside services, labor and environmental compliance costs. Nitrogen direct operating expenses (exclusive of depreciation and amortization) for the three months ended June 30, 2008 were $19.7 million as compared to $16.5 million for the three months ended June 30, 2007. The increase of $3.2 million for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 was primarily the result of increases in expenses associated with property taxes ($2.5 million), catalysts ($1.0 million), outside services ($0.7 million), repairs and maintenance ($0.2 million), slag disposal ($0.2 million) and insurance ($0.1 million). These increases in direct operating expenses were partially offset by decreases in expenses associated with royalties and other ($0.9 million), utilities ($0.4 million), environmental ($0.2 million) and direct labor ($0.1 million).

*Depreciation and Amortization.* Nitrogen fertilizer depreciation and amortization increased to $4.5 million for the three months ended June 30, 2008 as compared to $4.4 million for the three months ended June 30, 2007. Nitrogen fertilizer depreciation and amortization increased by approximately $0.1 million for the three months ended June 30, 2008 compared to the three months ended June 30, 2007.

*Operating Income.* Nitrogen fertilizer operating income was $23.1 million for the three months ended June 30, 2008 as compared to operating income of $11.7 million for the three months ended June 30, 2007. This increase of $11.4 million for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007 was primarily the result of increased fertilizer prices and sales volumes over the comparable periods. Mitigating the increased fertilizer prices and sales volumes over the comparable periods were increases in direct operating expenses associated with property taxes ($2.5 million), catalysts ($1.0 million), outside services ($0.7 million), repairs and maintenance ($0.2 million), slag disposal ($0.2 million) and insurance ($0.1 million). These increases in direct operating expenses were partially offset by decreases in expenses associated with royalties and other ($0.9 million), utilities ($0.4 million), environmental ($0.2 million) and direct labor ($0.1 million).

**Six Months Ended June 30, 2008 Compared to the Six Months Ended June 30, 2007**

***Consolidated Results of Operations***

*Net Sales.* Consolidated net sales were $2,735.5 million for the six months ended June 30, 2008 compared to $1,233.9 million for the six months ended June 30, 2007. The increase of $1,501.6 million for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 was primarily due to an increase in petroleum net sales of $1,466.2 million that resulted from higher sales volumes ($874.7 million), coupled with higher product prices ($591.5 million). In addition, nitrogen fertilizer net sales increased $47.1 million for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 due to higher sales volumes ($13.7 million), together with higher plant gate prices ($33.4 million).

*Cost of Product Sold Exclusive of Depreciation and Amortization.* Consolidated cost of product sold (exclusive of depreciation and amortization) was $2,323.7 million for the six months ended June 30, 2008 as compared to $873.3 million for the six months ended June 30, 2007. The increase of $1,450.4 million for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 was primarily due to the refinery turnaround that began in February 2007 and was completed in April 2007. In addition to the impact of the turnaround, higher crude oil prices, increased sales volumes and the impact of FIFO accounting impacted cost of product sold during the comparable periods. Our average cost per barrel of crude oil for the six months ended June 30, 2008 was $105.87, compared to $57.14 for the comparable period of 2007, an increase of 85%. Sales volume of refined fuels increased 54% for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 principally due to the turnaround.

*Direct Operating Expenses Exclusive of Depreciation and Amortization.* Consolidated direct operating expenses (exclusive of depreciation and amortization) were $122.9 million for the six months ended June 30, 2008 as compared to $174.4 million for the six months ended June 30, 2007. This decrease of $51.5 million for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 was due to a decrease in petroleum direct operating expenses of $58.1 million, primarily related to the refinery turnaround, and an increase in nitrogen fertilizer direct operating expenses of $6.7 million.

*Selling, General and Administrative Expenses Exclusive of Depreciation and Amortization.* Consolidated selling, general and administrative expenses were $28.3 million for the six months ended June 30, 2008 as compared to $28.1 million for the six months ended June 30, 2007. This variance was primarily the result of increases in expenses associated with outside services ($4.6 million), bad debt reserve ($3.9 million), the write-off of deferred CVR Partners, LP initial public offering costs ($2.6 million), other selling, general and administrative costs ($1.1 million), asset write-off ($1.0 million) and insurance ($0.7 million) partially offset by a reduction in expenses associated with administrative labor ($14.1 million) primarily related to share-based compensation.

*Net Costs Associated with Flood.* Consolidated net costs associated with the flood for the six months ended June 30, 2008 approximated $9.7 million as compared to $2.1 for the six months ended June 30, 2007.

*Depreciation and Amortization.* Consolidated depreciation and amortization was $40.7 million for the six months ended June 30, 2008 as compared to $32.2 million for the six months ended June 30, 2007. The increase of $8.5 million for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 was primarily the result of the expansion completed in April 2007 and a significant capital project completed in February 2008 in the petroleum business.

*Operating Income.* Consolidated operating income was $210.3 million for the six months ended June 30, 2008 as compared to operating income of $123.8 million for the six months ended June 30, 2007. For the six months ended June 30, 2008 as compared to the six months ended June 30, 2007, petroleum operating income increased by $62.6 million and nitrogen fertilizer operating income increased by $28.2 million.

*Interest Expense.* Consolidated interest expense for the six months ended June 30, 2008 was $20.8 million as compared to interest expense of $27.6 million for the six months ended June 30, 2007. This 25% decrease for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 primarily resulted from an overall decrease in the index rates (primarily LIBOR) and a decrease in average borrowings outstanding during the six months ended June 30, 2008. Partially offsetting these positive impacts on consolidated interest expense was a $5.1 million decrease in capitalized interest over the comparable period due to the decrease of capital projects in progress during the six months ended June 30, 2008. Additionally, consolidated interest expense during the six months ended June 30, 2008 benefited from decreases in the applicable margins under our Credit Facility dated December 28, 2006 as compared to our borrowing facility completed in association with the Subsequent Acquisition that was in effect during the six months ended June 30, 2007. See "— Liquidity and Capital Resources — Debt."

*Interest Income.* Interest income was $1.3 million for the six months ended June 30, 2008 as compared to $0.6 million for the six months ended June 30, 2007.

*Loss on Derivatives, net.* We have determined that the Cash Flow Swap and our other derivative instruments do not qualify as hedges for hedge accounting purposes under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* For the six months ended June 30, 2008, we incurred a $127.2 million net loss on derivatives as compared to a $292.4 million loss on derivatives for the six months ended June 30, 2007. This significant decrease in loss on derivatives, net for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 was primarily attributable to the realized and unrealized losses on our Cash Flow Swap. Realized losses on the Cash Flow Swap for the six months ended June 30, 2008 and the six months ended June 30, 2007 were $74.0 million and $97.2 million, respectively. The decrease in realized losses over the comparable periods was primarily the result of lower average crack spreads for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007. Unrealized losses represent the change in the mark-to-market value on the unrealized portion of the Cash Flow Swap based on changes in the forward NYMEX crack spread that is the basis for the Cash Flow Swap. In addition to the mark-to-market value of the Cash Flow Swap, the outstanding term of the Cash Flow Swap at the end of each period also affects the impact that the changes in the forward NYMEX crack spread may have on the unrealized gain or loss. As of June 30, 2008, the Cash Flow Swap had a remaining term of approximately two years whereas as of June 30, 2007, the remaining term was approximately three years. As a result of those shorter remaining term as of June 30, 2008, a similar change in the forward NYMEX crack spread will have a smaller impact on the unrealized gain or loss. Unrealized losses on our Cash Flow Swap for the six months ended June 30, 2008 and the six months ended June 30, 2007 were $29.9 million and $188.5 million, respectively.

*Provision for Income Taxes.* Income tax expense for the six months ended June 30, 2008 was approximately $10.9 million, or 17% of earnings before income taxes, as compared to income tax benefit of approximately $141.0 million for the six months ended June 30, 2007. The annualized effective tax rate for 2008, which was applied to earnings before income taxes for the six month period ended June 30, 2008, is lower than the comparable annualized effective tax rate for 2007, which was applied to loss before income taxes for the six month period ended June 30, 2007, primarily due to the correlation between the amount of income tax credits which were projected to be generated in 2007 in comparison with the projected pre-tax loss for 2007.

*Minority Interest in (income) loss of Subsidiaries.* Minority interest in (income) loss of subsidiaries for the six months ended June 30, 2007 was $0.2 million. Minority interest in the 2007 period related to common stock in two of our subsidiaries owned by our chief executive officer.

*Net Income (Loss).* For the six months ended June 30, 2008, net income was $53.2 million as compared to a net loss of $54.3 million for the six months ended June 30, 2007.

**Petroleum Results of Operations for the Six Months Ended June 30, 2008**

*Net Sales.* Petroleum net sales were $2,627.6 million for the six months ended June 30, 2008 compared to $1,161.4 million for the six months ended June 30, 2007. The increase of $1,466.2 million from the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 was primarily the result of significantly higher sales volumes ($874.7 million) and increased product prices ($591.5 million). Overall sales volumes of refined fuels for the six months ended June 30, 2008 increased 54% as compared to the six months ended June 30, 2007. The increased sales volume resulted primary from a significant decrease in refined fuel production volumes over the six months ended June 30, 2007 due to the refinery turnaround which began in February 2007 and was completed in April 2007. Our average sales price per gallon for the six months ended June 30, 2008 for gasoline of $2.77 and distillate of $3.26 increased by 33% and 61%, respectively, as compared to the six months ended June 30, 2007.

*Cost of Product Sold Exclusive of Depreciation and Amortization.* Cost of product sold includes cost of crude oil, other feedstocks and blendstocks, purchased products for resale, transportation and distribution costs. Petroleum cost of product sold (exclusive of depreciation and amortization) was $2,320.6 million for the six months ended June 30, 2008 compared to $869.1 million for the six months ended June 30, 2007. The increase of $1,451.5 million from the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 was primarily the result of a significant increase in crude throughput due to the refinery turnaround which began in February 2007 and was completed in April 2007. In addition to the impact of the turnaround, higher crude oil prices, increased sales volumes and the impact of FIFO accounting impacted cost of product sold during the comparable periods. Our average cost per barrel of crude oil for the six months ended June 30, 2008 was $105.87, compared to $57.14 for the comparable period of 2007, an increase of 85%. Sales volume of refined fuels increased 54% for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 principally due to the turnaround. In addition, under our FIFO accounting method, changes in crude oil prices can cause fluctuations in the inventory valuation of our crude oil, work in process and finished goods, thereby resulting in FIFO inventory gains when crude oil prices increase and FIFO inventory losses when crude oil prices decrease. For the six months ended June 30, 2008, we reported FIFO inventory gains of $100.1 million compared to FIFO inventory gains of $12.9 million for the comparable period of 2007.

Refining margin per barrel of crude throughput decreased to $15.98 for the six months ended June 30, 2008 from $22.71 for the six months ended June 30, 2007 primarily due to the 15% decrease ($2.65 per barrel) in the average NYMEX 2-1-1 crack spread over the comparable periods and unfavorable regional differences between gasoline and distillate prices in our primary marketing region (the Coffeyville supply area) and those of the NYMEX. The average gasoline basis for the six months ended June 30, 2008 decreased by $5.15 per barrel to a negative basis of $2.56 per barrel compared to $2.59 per barrel in the comparable period of 2007. The average distillate basis for the six months ended June 30, 2008 decreased by $5.63 per barrel to $3.91 per barrel compared to $9.54 per barrel in the comparable period of 2007.

*Direct Operating Expenses Exclusive of Depreciation and Amortization.* Direct operating expenses for our Petroleum operations include costs associated with the actual operations of our refinery, such as energy and utility costs, catalyst and chemical costs, repairs and maintenance (turnaround), labor and environmental compliance costs. Petroleum direct operating expenses (exclusive of depreciation and amortization) were $83.0 million for the six months ended June 30, 2008 compared to direct operating expenses of $141.1 million for the six months ended

June 30, 2007. The decrease of $58.1 million for the six months ended June 30, 2008 compared to the six months ended June 30, 2007 was the result of decreases in expenses associated with the refinery turnaround ($76.9 million), outside services ($1.1 million) and direct labor ($1.0 million). These decreases in direct operating expenses were partially offset by increases in expenses associated with energy and utilities ($7.2 million), repairs and maintenance ($7.1 million), production chemicals ($2.5 million), environmental compliance ($1.3 million), property taxes ($1.2 million), insurance ($0.8 million), rent and lease ($0.2 million) and operating materials ($0.1 million). On a per barrel of crude throughput basis, direct operating expenses per barrel of crude throughput for the six months ended June 30, 2008 decreased to $4.32 per barrel as compared to $10.96 per barrel for the six months ended June 30, 2007 principally due to refinery turnaround expenses and the related downtime associated with the turnaround and its impact on overall production volume.

*Net Costs Associated with Flood.* Petroleum net costs associated with the flood for the six months ended June 30, 2008 approximated $8.9 million as compared to $2.0 million for the six months ended June 30, 2007.

*Depreciation and Amortization.* Petroleum depreciation and amortization was $31.2 million for the six months ended June 30, 2008 as compared to $23.1 million for the six months ended June 30, 2007. The increase of $8.1 million for the six months ended June 30, 2008 compared to the six months ended June 30, 2007 was primarily the result of the completion of the expansion in April 2007 and a significant capital project completed in February 2008.

*Operating Income.* Petroleum operating income was $165.5 million for the six months ended June 30, 2008 as compared to operating income of $102.9 million for the six months ended June 30, 2007. This increase of $62.6 million from the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 was primarily the result of the refinery turnaround which began in February 2007 and was completed in April 2007. The turnaround negatively impacted daily refinery crude throughput and refined fuels production. In addition, direct operating expenses decreased substantially during the six months ended June 30, 2008 primarily due to decreases in expenses associated with the refinery turnaround ($76.9 million), outside services ($1.1 million) and direct labor ($1.0 million). These decreases in direct operating expenses were partially offset by increases in expenses associated with energy and utilities ($7.2 million), repairs and maintenance ($7.1 million), production chemicals ($2.5 million), environmental compliance ($1.3 million), property taxes ($1.2 million), insurance ($0.8 million), rent and lease ($0.2 million) and operating materials ($0.1 million).

**Nitrogen Fertilizer Results of Operations for the Six Months Ended June 30, 2008**

*Net Sales.* Nitrogen fertilizer net sales were $121.4 million for the six months ended June 30, 2008 compared to $74.3 million for the six months ended June 30, 2007. The increase of $47.1 million from the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 was the result of higher plant gate prices ($33.4 million), coupled with an increase in overall sales volumes ($13.7 million).

In regard to product sales volumes for the six months ended June 30, 2008, our nitrogen operations experienced an increase of 27% in ammonia sales unit volumes (9,175 tons) and an increase of 1% in UAN sales unit volumes (3,068 tons). On-stream factors (total number of hours operated divided by total hours in the reporting period) for the gasification and ammonia units were less than the comparable period, primarily due unscheduled downtime. On-stream factors for the UAN plant were slightly improved for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007. It is typical to experience brief outages in complex manufacturing operations such as our nitrogen fertilizer plant which result in less than one hundred percent on-stream availability for one or more specific units.

Plant gate prices are prices FOB the delivery point less any freight cost we absorb to deliver the product. We believe plant gate price is meaningful because we sell products both FOB our plant gate (sold plant) and FOB the customer’s designated delivery site (sold delivered) and the percentage of sold plant versus sold delivered can change month to month or six months to six months. The plant gate price provides a measure that is consistently comparable period to period. Plant gate prices for the six months ended June 30, 2008 for ammonia were greater than plant gate prices for the comparable period of 2007 by 44%. Similarly, UAN plant gate prices for the six months ending June 30, 2008 were greater than the comparable period of 2007 by 48%. This dramatic increase in nitrogen fertilizer prices was not the direct result of an increase in natural gas prices, but rather the result of increased demand for nitrogen-based fertilizers due to the historically low ending stocks of global grains and a surge in prices for corn, wheat and soybeans, the primary crops in our region. This increase in demand for nitrogen-based fertilizer has created an environment in which nitrogen fertilizer prices have disconnected from their traditional correlation to natural gas prices.

The demand for fertilizer is affected by the aggregate crop planting decisions and fertilizer application rate decisions of individual farmers. Individual farmers make planting decisions based largely on the prospective profitability of a harvest, while the specific varieties and amounts of fertilizer they apply depend on factors like crop prices, their current liquidity, soil conditions, weather patterns and the types of crops planted.

*Cost of Product Sold Exclusive of Depreciation and Amortization.* Cost of product sold (exclusive of depreciation and amortization) is primarily comprised of pet coke expense, freight and distribution expenses. Cost of product sold excluding depreciation and amortization for the six months ended June 30, 2008 was $15.8 million compared to $6.2 million for the six months ended June 30, 2007. The increase of $9.6 million for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 was primarily the result of a change in intercompany accounting for hydrogen reimbursement. For the six months ended June 30, 2007, hydrogen reimbursement was included in cost of product sold (exclusive of depreciation and amortization). For the six months ended June 30, 2008, hydrogen has been included in net sales. These amounts eliminate in consolidation. Hydrogen is transferred from our nitrogen fertilizer operations to our petroleum operations to facilitate sulfur recovery in the ultra low sulfur diesel production unit.

*Direct Operating Expenses Exclusive of Depreciation and Amortization.* Direct operating expenses for our Nitrogen fertilizer operations include costs associated with the actual operations of our nitrogen plant, such as repairs and maintenance, energy and utility costs, catalyst and chemical costs, outside services, labor and environmental compliance costs. Nitrogen direct operating expenses (exclusive of depreciation and amortization) for the six months ended June 30, 2008 were $39.9 million as compared to $33.2 million for the six months ended June 30, 2007. The increase of $6.7 million for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 was primarily the result of increases in expenses associated with property taxes ($4.9 million), repairs and maintenance ($1.8 million), catalysts ($1.2 million), outside services ($0.9 million), slag disposal ($0.3 million), direct labor ($0.2 million) and insurance ($0.1 million). These increases in direct operating expenses were partially offset by reductions in expenses associated with royalties and other ($1.4 million), environmental compliance ($0.3 million) and equipment rental ($0.2 million).

*Net Costs Associated with Flood.* Nitrogen fertilizer costs associated with the flood for the six months ended June 30, 2008 approximated $0 million as compared to $0.1 million for the six months ended June 30, 2007.

*Depreciation and Amortization.* Nitrogen fertilizer depreciation and amortization increased to $9.0 million for the six months ended June 30, 2008 as compared to $8.8 million for the six months ended June 30, 2007.

*Operating Income.* Nitrogen fertilizer operating income was $49.2 million for the six months ended June 30, 2008 as compared to $21.0 million for the six months ended June 30, 2007. This increase of $28.2 million for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007 was the result of increased sales volumes ($13.7 million), coupled with higher plant gate prices for both UAN and ammonia ($33.4 million). Partially offsetting the positive effects of sales volumes and higher plant gate prices were increased direct operating expenses primarily the result of increases in expenses associated with property taxes ($4.9 million), repairs and maintenance ($1.8 million), catalysts ($1.2 million), outside services ($0.9 million) slag disposal ($0.3 million, direct labor ($0.2 million) and insurance ($0.1 million). These increases in direct operating expenses were partially offset by reductions in expenses associated with royalties and other ($1.4 million), environmental compliance ($0.3 million) and equipment rental ($0.2 million).

## Liquidity and Capital Resources

Our primary sources of liquidity currently consist of cash generated from our operating activities, existing cash balances, and our existing revolving credit facility and third party guarantees of obligations under the Cash Flow Swap. Our ability to generate sufficient cash flows from our operating activities will continue to be primarily dependent on producing or purchasing, and selling, sufficient quantities of refined products at margins sufficient to cover fixed and variable expenses.

As of June 30, 2008, total outstanding debt under our credit facility was $508.3 million, which includes $21.5 million from our revolving credit facility. As of August 11, 2008, total outstanding debt under our credit facility was $485.5 million, which was all term debt. As of June 30, 2008, we had cash, cash equivalents and short-term investments of $20.6 million and up to $91.1 million available under our revolving credit facility. As of August 11, 2008, we had cash, cash equivalents and short-term investments of $44.5 million and up to $112.6 million available under our revolving credit facility. In the current crude oil price environment, working capital is subject to substantial variability from week-to-week and month-to-month. The payable to swap counterparty included in the consolidated balance sheet at June 30, 2008 was approximately $418.3 million, and the current portion included an increase of $109.2 million from December 31, 2007, resulting in an equal reduction in our working capital for the same period.

On June 30, 2007, our refinery and the nitrogen fertilizer plant were severely flooded and forced to conduct emergency shutdowns and evacuate. See Note 9, "Flood, Crude Oil Discharge and Insurance Related Matters." Our liquidity was significantly negatively impacted as a result of the reduction in cash provided by operations due to our temporary cessation of operations and the additional expenditures associated with the flood and crude oil discharge. In order to provide immediate and future liquidity, on August 23, 2007 we deferred payments of $123.7 million which were due to J. Aron under the terms of the Cash Flow Swap. We entered into a letter agreement with J. Aron on July 29, 2008 to defer to December 15, 2008 the payment of $87.5 million of the $123.7 million plus accrued interest ($6.7 million as of August 1, 2008) we owe. The remaining $36.2 million plus accrued interest will be due on August 31, 2008 (or earlier at the company's option). If we consummate our proposed convertible debt offering before December 15, 2008, the $87.5 million deferral will automatically extend to July 31, 2009. See "— Payment Deferrals Related to Cash Flow Swap" for additional information about the payment deferral. These deferrals are supported by third-party guarantees. We paid J. Aron $52.4 million on July 8, 2008 for crude oil we settled with respect to the quarter ending June 30, 2008.

We believe that our cash flows from operations, borrowings under our revolving credit facility, third party guarantees under the Cash Flow Swap and other capital resources will be sufficient to satisfy the anticipated cash requirements associated with our existing operations for at least the next 12 months. However, our future capital expenditures and other cash requirements could be higher than we currently expect as a result of various factors. Additionally, our ability to generate sufficient cash from our operating activities depends on our future performance, which is subject to general economic, political, financial, competitive, and other factors beyond our control.

**Debt**

***Credit Facility***

On December 28, 2006, our subsidiary Coffeyville Resources, LLC entered into a Credit Facility which provided financing of up to $1.075 billion. The Credit Facility consisted of $775.0 million of tranche D term loans, a $150.0 million revolving credit facility, and a funded letter of credit facility of $150.0 million issued in support of the Cash Flow Swap. On October 26, 2007, we repaid $280.0 million of the tranche D term loans with proceeds from our initial public offering. The Credit Facility is guaranteed by all of our subsidiaries and is secured by substantially all of their assets including the equity of our subsidiaries on a first-lien priority basis.

The tranche D term loans outstanding are subject to quarterly principal amortization payments of 0.25% of the outstanding balance commencing on April 1, 2007 and increasing to 23.5% of the outstanding principal balance on April 1, 2013 and the next two quarters, with a final payment of the aggregate outstanding balance on December 28, 2013.

The revolving loan facility of $150.0 million provides for direct cash borrowings for general corporate purposes and on a short-term basis. Letters of credit issued under the revolving loan facility are subject to a $75.0 million sub-limit. The revolving loan commitment expires on December 28, 2012. The borrower has an option to extend this maturity upon written notice to the lenders; however, the revolving loan maturity cannot be extended beyond the final maturity of the term loans, which is December 28, 2013. As of June 30, 2008, we had available $91.1 million under the revolving credit facility.

The $150.0 million funded letter of credit facility provides credit support for our obligations under the Cash Flow Swap. The funded letter of credit facility is fully cash collateralized by the funding by the lenders of cash into a credit linked deposit account. This account is held by the funded letter of credit issuing bank. Contingent upon the requirements of the Cash Flow Swap, the borrower has the ability to reduce the funded letter of credit at any time upon written notice to the lenders. The funded letter of credit facility expires on December 28, 2010.

The Credit Facility incorporates the following pricing by facility type:

- Tranche D term loans bear interest at either (a) the greater of the prime rate and the federal funds effective rate plus 0.5%, plus in either case 2.25%, or, at the borrower's option, (b) LIBOR plus 3.25% (with step-downs to the prime rate/federal funds rate plus 1.75% or 1.50% or LIBOR plus 2.75% or 2.50%, respectively, upon achievement of certain rating conditions).
- Revolving loan borrowings bear interest at either (a) the greater of the prime rate and the federal funds effective rate plus 0.5%, plus in either case 2.25%, or, at the borrower's option, (b) LIBOR plus 3.25% (with step-downs to the prime rate/federal funds rate plus 1.75% or 1.50% or LIBOR plus 2.75% or 2.50%, respectively, upon achievement of certain rating conditions).
- Letters of credit issued under the $75.0 million sub-limit available under the revolving loan facility are subject to a fee equal to the applicable margin on revolving LIBOR loans owing to all revolving lenders and a fronting fee of 0.25% per annum owing to the issuing lender.
- Funded letters of credit are subject to a fee equal to the applicable margin on term LIBOR loans owed to all funded letter of credit lenders and a fronting fee of 0.125% per annum owing to the issuing lender. The borrower is also obligated to pay a fee of 0.10% to the administrative agent on a quarterly basis based on the average balance of funded letters of credit outstanding during the calculation period, for the maintenance of a credit-linked deposit account backstopping funded letters of credit.

In addition to the fees stated above, the Credit Facility requires the borrower to pay 0.50% per annum in commitment fees on the unused portion of the revolving loan facility.

The Credit Facility requires the borrower to prepay outstanding loans, subject to certain exceptions, with:

- 100% of the net asset sale proceeds received from specified asset sales and net insurance/ condemnation proceeds, if the borrower does not reinvest those proceeds in assets to be used in its business or make other permitted investments within 12 months or if, within 12 months of receipt, the borrower does not contract to reinvest those proceeds in assets to be used in its business or make other permitted investments within 18 months of receipt, each subject to certain limitations;
- 100% of the cash proceeds from the incurrence of specified debt obligations; and
- 75% of "consolidated excess cash flow" less 100% of voluntary prepayments made during the fiscal year; provided that with respect to any fiscal year commencing with fiscal 2008 this percentage will be reduced to 50% if the total leverage ratio at the end of such fiscal year is less than 1.50:1.00 or 25% if the total leverage ratio as of the end of such fiscal year is less than 1.00:1.00.

Mandatory prepayments will be applied first to the term loan, second to the swing line loans, third to the revolving loans, fourth to outstanding reimbursement obligations with respect to revolving letters of credit and funded letters of credit, and fifth to cash collateralize revolving letters of credit and funded letters of credit. Voluntary prepayments of loans under the Credit Facility are permitted, in whole or in part, at the borrower's option, without premium or penalty.

The Credit Facility contains customary covenants. These agreements, among other things, restrict, subject to certain exceptions, the ability of Coffeyville Resources, LLC and its subsidiaries to incur additional indebtedness, create liens on assets, make restricted junior payments, enter into agreements that restrict subsidiary distributions, make investments, loans or advances, engage in mergers, acquisitions or sales of assets, dispose of subsidiary interests, enter into sale and leaseback transactions, engage in certain transactions with affiliates and stockholders, change the business conducted by the credit parties, and enter into hedging agreements. The Credit Facility provides that Coffeyville Resources, LLC may not enter into commodity agreements if, after giving effect thereto, the exposure under all such commodity agreements exceeds 75% of Actual Production (the borrower's estimated future production of refined products based on the actual production for the three prior months) or for a term of longer than six years from December 28, 2006. In addition, the borrower may not enter into material amendments related to any material rights under the Cash Flow Swap or the Partnership's partnership agreement without the prior written approval of the lenders. These limitations are subject to critical exceptions and exclusions and are not designed to protect investors in our common stock.

The Credit Facility also requires the borrower to maintain certain financial ratios as follows:

| Fiscal Quarter Ending | Minimum Interest Coverage Ratio | Maximum Leverage Ratio |
|---|---|---|
| June 30, 2008 | 3.25:1.00 | 3.00:1.00 |
| September 30, 2008 | 3.25:1.00 | 2.75:1.00 |
| December 31, 2008 | 3.25:1.00 | 2.50:1.00 |
| March 31, 2009 and thereafter | 3.75:1.00 | 2.25:1.00 |
| | | to December 31, 2009, 2.00:1.00 thereafter |

The computation of these ratios is governed by the specific terms of the Credit Facility and may not be comparable to other similarly titled measures computed for other purposes or by other companies. The minimum interest coverage ratio is the ratio of consolidated adjusted EBITDA to consolidated cash interest expense over a four quarter period. The maximum leverage ratio is the ratio of consolidated total debt to consolidated adjusted EBITDA over a four quarter period. The computation of these ratios requires a calculation of consolidated adjusted EBITDA. In general, under the terms of our Credit Facility, consolidated adjusted EBITDA is calculated by adding consolidated net income, consolidated interest expense, income taxes, depreciation and amortization, other non- cash expenses, any fees and expenses related to permitted acquisitions, any non-recurring expenses incurred in connection with the issuance of debt or equity, management fees, any unusual or non-recurring charges up to 7.5% of consolidated adjusted EBITDA, any net after-tax loss from disposed or discontinued operations, any incremental property taxes related to abatement non-renewal, any losses attributable to minority equity interests and major scheduled turnaround expenses. As of June 30, 2008, we were in compliance with our covenants under the Credit Facility.

We present consolidated adjusted EBITDA because it is a material component of material covenants within our current Credit Facility and significantly impacts our liquidity and ability to borrow under our revolving line of credit. However, consolidated adjusted EBITDA is not a defined term under GAAP and should not be considered as an alternative to operating income or net income as a measure of operating results or as an alternative to cash flows as a measure of liquidity. Consolidated adjusted EBITDA is calculated under the Credit Facility as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | (Unaudited in millions) | | (Unaudited in millions) | |
| **Consolidated Financial Results** | | | | |
| Net income (loss) | $ 31.0 | $ 100.1 | $ 53.2 | $ (54.3) |
| Plus: | | | | |
| Depreciation and amortization | 21.1 | 18.0 | 40.7 | 32.2 |
| Interest expense and other financing costs | 9.5 | 15.8 | 20.8 | 27.6 |
| Income tax expense (benefit) | 4.1 | (93.7) | 10.9 | (141.0) |
| Funded letters of credit expense and interest rate swap not included in interest expense | 2.4 | 0.2 | 3.3 | 0.2 |
| Major scheduled turnaround expense | — | 10.8 | — | 76.8 |
| Unrealized loss on derivatives | 12.9 | 63.1 | 31.8 | 190.0 |
| Non-cash compensation expense for equity awards | (10.8) | 3.0 | (11.2) | 6.8 |
| Loss on disposition of fixed assets | 1.5 | 1.1 | 1.6 | 1.2 |
| Minority interest | — | 0.4 | — | (0.3) |
| Management fees | — | 0.5 | — | 1.1 |
| Adjusted EBITDA | $ 71.7 | $ 119.3 | $ 151.1 | $ 140.3 |

In addition to the financial covenants summarized in the table above, the Credit Facility restricts the capital expenditures of Coffeyville Resources, LLC to $125.0 million in 2008, $125.0 million in 2009, $80.0 million in 2010, and $50.0 million in 2011 and thereafter. The capital expenditures covenant includes a mechanism for carrying over the excess of any previous year's capital expenditure limit. The capital expenditures limitation will not apply for any fiscal year commencing with fiscal 2009 if the borrower obtains a total leverage ratio of less than or equal to 1.25:1.00 for any quarter commencing with the quarter ended December 31, 2008. We believe the limitations on our capital expenditures imposed by the Credit Facility should allow us to meet our current capital expenditure needs. However, if future events require us or make it beneficial for us to make capital expenditures beyond those currently planned, we would need to obtain consent from the lenders under our Credit Facility.

The Credit Facility also contains customary events of default. The events of default include the failure to pay interest and principal when due, including fees and any other amounts owed under the Credit Facility, a breach of certain covenants under the Credit Facility, a breach of any representation or warranty contained in the Credit Facility, any default under any of the documents entered into in connection with the Credit Facility, the failure to pay principal or interest or any other amount payable under other debt arrangements in an aggregate amount of at least $20.0 million, a breach or default with respect to material terms under other debt arrangements in an aggregate amount of at least $20.0 million which results in the debt becoming payable or declared due and payable before its stated maturity, a breach or default under the Cash Flow Swap that would permit the holder or holders to terminate the Cash Flow Swap, events of bankruptcy, judgments and attachments exceeding $20.0 million, events relating to employee benefit plans resulting in liability in excess of $20.0 million, a change in control, the guarantees, collateral documents or the Credit Facility failing to be in full force and effect or being declared null and void, any guarantor repudiating its obligations, the failure of the collateral agent under the Credit Facility to have a lien on any material portion of the collateral, and any party under the Credit Facility (other than the agent or lenders under the Credit Facility) contesting the validity or enforceability of the Credit Facility.

Under the terms of our Credit Facility, our initial public offering was deemed a "Qualified IPO" because the offering generated at least $250 million of gross proceeds and we used the proceeds of the offering to repay at least $275.0 million of term loans under the Credit Facility. As a result of our Qualified IPO, the interest margin on LIBOR loans may in the future decrease from 3.25% to 2.75% (if we have credit ratings of B2/B) or 2.50% (if we have credit ratings of B1/B+). Interest on base rate loans will similarly be adjusted. In addition, as a result of our

Qualified IPO, (1) we will be allowed to borrow an additional $225.0 million under the Credit Facility after June 30, 2008 to finance capital enhancement projects if we are in pro forma compliance with the financial covenants in the Credit Facility and the rating agencies confirm our ratings, (2) we will be allowed to pay an additional $35.0 million of dividends each year, if our corporate family ratings are at least B2 from Moody's and B from S&P, (3) we will not be subject to any capital expenditures limitations commencing with fiscal 2009 if our total leverage ratio is less than or equal to 1.25:1 for any quarter commencing with the quarter ended December 31, 2008, and (4) at any time after March 31, 2008 we will be allowed to reduce the Cash Flow Swap to not less than 35,000 barrels a day for fiscal 2008 and terminate the Cash Flow Swap for any year commencing with fiscal 2009, so long as our total leverage ratio is less than or equal to 1.25:1 and we have a corporate family rating of at least B2 from Moody's and B from S&P.

The Credit Facility is subject to an intercreditor agreement among the lenders and the Cash Flow Swap provider, which deal with, among other things, priority of liens, payments and proceeds of sale of collateral.

At June 30, 2008 and December 31, 2007, funded long-term debt, including current maturities, totaled $486.8 million and $489.2 million, respectively, of tranche D term loans. Other commitments at June 30, 2008 and December 31, 2007 included a $150.0 million funded letter of credit facility and a $150.0 million revolving credit facility. As of June 30, 2008, the commitment outstanding on the revolving credit facility was $58.9 million, including $21.5 million in revolver borrowings, $5.8 million in letters of credit in support of certain environmental obligations and $31.6 million in letters of credit to secure transportation services for crude oil. As of December 31, 2007, the commitment outstanding on the revolving credit facility was $39.4 million, including $5.8 million in letters of credit in support of certain environmental obligations, $3.0 million in support of surety bonds in place to support state and federal excise tax for refined fuels, and $30.6 million in letters of credit to secure transportation services for crude oil.

***Payment Deferrals Related to Cash Flow Swap***

As a result of the flood and the temporary cessation of our operations on June 30, 2007, Coffeyville Resources, LLC entered into several deferral agreements with J. Aron with respect to the Cash Flow Swap. These deferral agreements deferred to January 31, 2008 the payment of approximately $123.7 million (plus accrued interest of $6.2 million as of June 30, 2008) which we owe to J. Aron. J. Aron agreed to further defer these payments to August 31, 2008 however; we are required to use 37.5% of our consolidated excess cash flow for any quarter after January 31, 2008 to prepay any portion of the deferred amount. As of June 30, 2008 we were not required to repay any portion of the deferred amount.

- On June 26, 2007, Coffeyville Resources, LLC and J. Aron & Company entered into a letter agreement in which J. Aron deferred to August 7, 2007 a $45.0 million payment which we owed to J. Aron under the Cash Flow Swap for the period ending June 30, 2007. We agreed to pay interest on the deferred amount at the rate of LIBOR plus 3.25%.
- On July 11, 2007, Coffeyville Resources, LLC and J. Aron entered into a letter agreement in which J. Aron deferred to July 25, 2007 a separate $43.7 million payment which we owed to J. Aron under the Cash Flow Swap for the period ending June 30, 2007. J. Aron deferred the $43.7 million payment on the conditions that (a) each of GS Capital Partners V Fund, L.P. and Kelso Investment Associates VII, L.P. agreed to guarantee one half of the payment and (b) interest accrued on the $43.7 million from July 9, 2007 to the date of payment at the rate of LIBOR plus 1.50%.
- On July 26, 2007, Coffeyville Resources, LLC and J. Aron entered into a letter agreement in which J. Aron deferred to September 7, 2007 both the $45.0 million payment due August 7, 2007 (and accrued interest) and the $43.7 million payment due July 25, 2007 (and accrued interest). J. Aron deferred these payments on the conditions that (a) each of GS Capital Partners V Fund, L.P. and Kelso Investment Associates VII, L.P. agreed to guarantee one half of the payments and (b) interest accrued on the amounts from July 26, 2007 to the date of payment at the rate of LIBOR plus 1.50%.
- On August 23, 2007, Coffeyville Resources, LLC and J. Aron entered into a letter agreement in which J. Aron deferred to January 31, 2008 the $45.0 million payment due September 7, 2007 (and accrued interest), the $43.7 million payment due September 7, 2007 (and accrued interest) and the $35.0 million

payment which we owed to J. Aron under the Cash Flow Swap to settle hedged volume through August 15, 2007. J. Aron deferred these payments (totaling $123.7 million plus accrued interest) on the conditions that (a) each of GS Capital Partners V Fund, L.P. and Kelso Investment Associates VII, L.P. agreed to guarantee one half of the payments and (b) interest accrued on the amounts to the date of payment at the rate of LIBOR plus 1.50%.

- On July 29, 2008, the Company entered into a revised letter agreement with J. Aron to defer further $87.5 million of the deferred payment amounts owed under the 2007 deferral agreements. The unpaid deferred amounts and all accrued and unpaid interest are due and payable in full on December 15, 2008. If the Company incurs aggregate indebtedness in an aggregate principal amount of at least $125.0 million by December 15, 2008, the maturity date will be automatically extended to July 31, 2009 provided also that there has been no default of the Company in the performance of its obligations under the revised letter agreement. GS and Kelso each agreed to guarantee one half of the deferred payment of $87.5 million. The Company has agreed to repay deferred amounts in an amount equal to the sum of $36.2 million plus all accrued and unpaid interest ($6.7 million as of August 1, 2008) by no later than August 31, 2008.

Beginning on August 31, 2008, interest shall accrue and be payable on the unpaid deferred amount of $87.5 million at the rate of LIBOR plus 2.75%. Under the terms of the deferral, the Company will be required to use the substantial majority of any gross proceeds from indebtedness for borrowed money incurred by the Company or certain of its subsidiaries, including the pending convertible debt offering, in excess of $125.0 million, to prepay a portion of the deferred amounts. There is no certainty that the convertible debt offering will be completed. The revised agreement requires the Company to prepay the deferred amount each quarter with the greater of 50% of free cash flow or $5.0 million. Any failure to make the quarterly prepayments will result in an increase in the interest rate that accrues on the deferred amounts.

**Capital Spending**

In 2007, as a result of the flood, our refinery exceeded the required average annual gasoline sulfur standard as mandated by our approved hardship waiver with the EPA. In anticipation of a settlement with the EPA to resolve the non-compliance, the Company planned to spend $28.0 million in capital required for interim compliance with the ultra low sulfur gasoline standards in 2008, ahead of the required full compliance date of January 1, 2011. The Company anticipates final resolution with the EPA during 2008. Accordingly, $10.1 million of planned capital spending has been deferred to 2009.

The Nitrogen Fertilizer business is currently moving forward with an approximately $120 million fertilizer plant expansion, of which approximately $14.5 million was incurred as of June 30, 2008. We estimate this expansion will increase the nitrogen fertilizer plant's capacity to upgrade ammonia into premium priced UAN by approximately 50%. Management currently expects to complete this expansion in July 2010. This project is also expected to improve the cost structure of the nitrogen fertilizer business by eliminating the need for rail shipments of ammonia, thereby avoiding anticipated cost increases in such transport.

**Cash Flows**

The following table sets forth our cash flows for the periods indicated below (in thousands):

| | Six Months Ended June 30, 2008 | Six Months Ended June 30, 2007 |
|---|---|---|
| | (Unaudited) | |
| Net cash provided by (used in): | | |
| Operating activities | $ 23,318 | $ 160,693 |
| Investing activities | (49,635) | (214,053) |
| Financing activities | 16,424 | 34,518 |
| Net (decrease) in cash and cash equivalents | $ (9,893) | $ (18,842) |

***Cash Flows Provided by Operating Activities***

Net cash flows from operating activities for the six months ended June 30, 2008 was $23.3 million compared to cash flows from operating activities for the six months ended June 30, 2007 of $160.7 million. The positive cash flow from operating activities generated over the six months ended June 30, 2008 was primarily driven by net income, favorable changes in other working capital, partially offset by unfavorable changes in trade working capital and other assets and liabilities over the period. For purposes of this cash flow discussion, we define trade working capital as accounts receivable, inventory and accounts payable. Other working capital is defined as all other current assets and liabilities except trade working capital. Net income for the period was not indicative of the operating margins for the period. This is the result of the accounting treatment of our derivatives in general and, more specifically, the Cash Flow Swap. We have determined that the Cash Flow Swap does not qualify as a hedge for hedge accounting purposes under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* Therefore, the net income for the six months ended June 30, 2008 included both the realized losses and the unrealized losses on the Cash Flow Swap. Since the Cash Flow Swap had a significant term remaining as of June 30, 2008 (approximately two years), the unrealized losses on the Cash Flow Swap significantly decreased our net income over this period. The impact of the realized and unrealized losses on the Cash Flow Swap is apparent in the $67.7 million increase in the payable to swap counterparty. Trade working capital for the six months ended June 30, 2008 resulted in a use of cash of $131.0 million. For the six months ended June 30, 2008, accounts receivable increased $54.5 million, inventory increased by $71.8 million and accounts payable decreased by $4.7 million.

Net cash flows provided by operating activities for the six months ended June 30, 2007 was $160.7 million. The positive cash flow from operating activities during this period was primarily the result of favorable changes in other working capital and trade working capital, partially offset by unfavorable changes in other assets and liabilities. Net loss for the period was not indicative of the operating margins for the period. This was the result of the accounting treatment of our derivatives in general and, more specifically, the Cash Flow Swap. We have determined that the Cash Flow Swap does not qualify as a hedge for hedge accounting purposes under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* Therefore, the net loss for the six months ended June 30, 2007 included both the realized losses and the unrealized losses on the Cash Flow Swap. Since the Cash Flow Swap had a significant term remaining as of June 30, 2007 (approximately three years), the realized and unrealized losses on the Cash Flow Swap significantly increased our net loss over this period. The impact of these realized and unrealized losses on the Cash Flow Swap is apparent in the $276.6 million increase in the payable to swap counterparty. Adding to our operating cash flow for the six months ended June 30, 2007 was a $3.9 million source of cash related to a decrease in trade working capital. For the six months ended June 30, 2007, accounts receivable increased $6.4 million, inventory increased $17.8 million and accounts payable increased $28.1 million.

***Cash Flows Used in Investing Activities***

Net cash used in investing activities for the six months ended June 30, 2008 was $49.6 million compared to $214.1 million for the six months ended June 30, 2007. The decrease in investing activities was the result of decreased capital expenditures associated with various capital projects that commenced in the first quarter of 2007 in conjunction with the refinery turnaround. The majority of these capital projects were completed during the six months ended June 30, 2007.

***Cash Flows Provided by Financing Activities***

Net cash provided by financing activities for the six months ended June 30, 2008 was $16.4 million as compared to $34.5 million for the six months ended June 30, 2007. During the six months ended June 30, 2008 and June 30, 2007, the primary source of cash was the result of borrowings drawn on our revolving credit facility.

**Working Capital**

Working capital at June 30, 2008, was $(35.5) million, consisting of $634.3 million in current assets and $669.8 million in current liabilities. Working capital at December 31, 2007 was $10.7 million, consisting of $570.2 million in current assets and $559.5 million in current liabilities. In addition, we had available borrowing capacity under our revolving credit facility of $91.1 million at June 30, 2008.

Working capital was negatively impacted due to the reclassification of a portion of the insurance receivable related to the 2007 flood from current to non-current as of June 30, 2008.

**Letters of Credit**

Our revolving credit facility provides for the issuance of letters of credit. At June 30, 2008, there were $37.4 million of irrevocable letters of credit outstanding, including $5.8 million in support of certain environmental obligators and $31.6 million to secure transportation services for crude oil.

**Off-Balance Sheet Arrangements**

We had no off-balance sheet arrangements as of June 30, 2008.

**Recent Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement on Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, which establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS 157 states that fair value is "the price that would be received to sell the asset or paid to transfer the liability (an exit price), not the price that would be paid to acquire the asset or received to assume the liability (an entry price)." The standard's provisions for financial assets and financial liabilities, which became effective January 1, 2008, had no material impact on the Company's financial position or results of operations. At June 30, 2008, the only financial assets and financial liabilities that are measured at fair value on a recurring basis are the Company's derivative instruments. See Note 14, "Fair Value Measurements."

In February 2008, the FASB issued FASB Staff Position 157-2 which defers the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually). The Company will be required to adopt SFAS 157 for these nonfinancial assets and nonfinancial liabilities as of January 1, 2009. Management believes the adoption of SFAS 157 deferral provisions will not have a material impact on the Company's financial position or earnings.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133*. This statement will change the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, net earnings, and cash flows. The Company will be required to adopt this statement as of January 1, 2009. The adoption of SFAS 161 is not expected to have a material impact on the Company's consolidated financial statements.

In May 2008, the FASB issued final FASB Staff Position ("FSP") No. APB 14-1, *Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. The FSP changes the accounting treatment for convertible debt instruments that by their stated terms may be settled in cash upon conversion, including partial cash settlements, unless the embedded conversion option is required to be separately accounted for as a derivative under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*. Under the FSP, cash settled convertible securities will be separated into their debt and equity components. The FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The FSP is effective for financial statements issued for fiscal years and will require issuers of convertible debt that can be settled in cash to record the additional expense incurred. The Company is currently evaluating the FSP in conjunction with its convertible debt offering.

**Critical Accounting Policies**

The Company's critical accounting policies are disclosed in the "Critical Accounting Policies" section of our Annual Report on Form 10-K/A for the year ended December 31, 2007. In addition to the accounting policies discussed in our 2007 Form 10-K/A, the following accounting policy has been updated.

**Receivables From Insurance**

As of June 30, 2008, we have incurred total gross costs of approximately $153.6 million as a result of the 2007 flood and crude oil discharge. During this period, we have maintained insurance policies that were issued by a variety of insurers and which covered various risks, such as property damage, interruption of our business, environmental cleanup costs, and potential liability to third parties for bodily injury or property damage. Accordingly, as of June 30, 2008, we have recognized receivables of approximately $102.4 million related to these gross costs incurred that we believe are probable of recovery from the insurance carriers under the terms of the respective policies. As of June 30, 2008, we have collected approximately $21.5 million of these receivables. In July 2008 we received an additional $13.0 million from the Company's property insurance policy.

We have submitted voluminous claims information to, and continue to respond to information requests from and negotiate with, the insurers with respect to costs and damages related to the 2007 flood and crude oil discharge. Our property insurers have raised a question as to whether the Company's facilities are principally located in "Zone A," which was, at the time of the flood, subject to a $10 million insurance limit for flood or "Zone B" which was, at the time of the flood, subject to a $300 million insurance limit for flood. The Company has reached an agreement with certain of its property insurers representing approximately 32.5% of its total property coverage for the flood-damaged facilities that our facilities are principally located in "Zone B" and therefore subject to the $300 million limit for flood. Our remaining property insurers have not, at this time, agreed to this position. In addition, our primary environmental liability insurance carrier has asserted that our pollution liability claims are for "cleanup," which is subject to a $10 million sub-limit, rather than "property damage," which is covered to the limits of the policy. The excess carrier has reserved its rights under the primary carrier's position. While we will vigorously contest the primary carrier's position, we contend that if that position were upheld, our umbrella and excess Comprehensive General Liability policies would continue to provide coverage for these claims. Each insurer, however, has reserved its rights under various policy exclusions and limitations and has cited potential coverage defenses. Ultimate recovery will be subject to continued negotiation as well as litigation.

There is inherent uncertainty regarding the ultimate amount or timing of the recovery of the insurance receivable because of the difficulty in projecting the final resolution of our claims. The difference between what we ultimately receive under our insurance policies compared to the receivable we have recorded could be material to our consolidated financial statements.

**Collective Bargaining Agreements**

We are a party to collective bargaining agreements which as of June 30, 2008 cover approximately 40% of our employees (all of whom work in our petroleum business) with the Metal Trades Union and the United Steelworkers of America. The collective bargaining agreements expire in March 2009.

**Item 3.** ***Quantitative and Qualitative Disclosures About Market Risk***

The risk inherent in our market risk sensitive instruments and positions is the potential loss from adverse changes in commodity prices and interest rates. Information about market risks for the six months ended June 30, 2008 does not differ materially from that discussed under Part I — Item 3 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008. We are exposed to market pricing for all of the products sold in the future both at our petroleum business and the nitrogen fertilizer business, as all of the products manufactured in both businesses are commodities. As of June 30, 2008, all $508.3 million of outstanding debt under our credit facility was at floating rates; accordingly, an increase of 1.0% in the LIBOR rate would result in an increase in our interest expense of approximately $5.2 million per year. None of our market risk sensitive instruments are held for trading.

**Item 4.** ***Controls and Procedures***

***Evaluation of Disclosure Controls and Procedures***

We have established disclosure controls and procedures (Disclosure Controls) to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure Controls are also designed to ensure that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our Disclosure Controls were designed to provide reasonable assurance that the controls and procedures would meet their objectives. Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our Disclosure Controls will prevent all error and fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the designed control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusions of two or more people, or by management override of the control. Because of the inherent limitations in a cost-effective, maturing control system, misstatements due to error or fraud may occur and not be detected.

At March 31, 2008, we identified material weaknesses in our internal controls relating to the calculation of the cost of crude oil purchased by us and associated financial transactions. Specifically, our policies and procedures for estimating the cost of crude oil and reconciling these estimates to vendor invoices were not effective. Additionally, our supervision and review of this estimation and reconciliation process was not operating at a level of detail adequate to identify the deficiencies in the process. Management has concluded that these deficiencies are material weaknesses. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In order to remediate the material weaknesses described above, our management is in the process of designing, implementing and enhancing controls to ensure the proper accounting for the calculation of the cost of crude oil. These remedial actions include, among other things, (1) centralizing all crude oil cost accounting functions, (2) adding additional layers of accounting review with respect to our crude oil cost accounting and (3) adding additional layers of business review with respect to the computation of our crude oil costs. As of June 30, 2008, the material weaknesses have not been fully remediated.

As of the end of the period covered by this Form 10-Q, we evaluated the effectiveness of the design and operation of our Disclosure Controls and included consideration of the material weaknesses initially disclosed in our Annual Report on Form 10-K/A for the year-ended December 31, 2007. The evaluation of our Disclosure Controls was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, and included consideration of the material weaknesses described above. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our Disclosure Controls and procedures were not effective as of the end of the period covered by this Quarterly Report on Form 10-Q because of the material weaknesses described above.

***Changes in Internal Control Over Financial Reporting***

No changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) occurred during the second quarter of 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We are, however, currently continuing remedial actions to address the material weaknesses described above under "— Evaluation of Disclosure Controls and Procedures." In our efforts to remediate the material weaknesses, management has engaged a third-party firm to assist us in performing a comprehensive analysis of our control and processes over the calculation and recording of crude oil purchased by us.

## Part II. Other Information

### Item 1. *Legal Proceedings*

The following supplements and amends our discussion set forth under Item 3 “Legal Proceedings” in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2007.

We filed two lawsuits in the United States District Court for the District of Kansas on July 10, 2008 against certain of our insurance carriers with regard to our insurance coverage for the flood and crude oil discharge that occurred during the weekend of June 30, 2007. In Coffeyville Resources Refining & Marketing, LLC, et al. v. National Union Fire Insurance Company of Pittsburgh, PA, et al., we are seeking a declaratory judgment against certain of our property insurers that our damaged facilities are located principally in “Zone B,” which was, at the time of the flood, subject to a $300 million insurance limit for flood, and not in “Zone A,” which was, at the time of the flood, subject to a $10 million flood insurance limit. Property insurers representing approximately 32.5% of our total property coverage for the flood have agreed with our position that our property is located principally in “Zone B” and recently signed a settlement agreement with us to the effect that our flood damaged property is principally located in the areas subject to the $300 million insurance limit for flood. In Coffeyville Resources Refining & Marketing, LLC v. Liberty Surplus Insurance Corporation, et al., we are suing our environmental insurance liability carriers for breach of contract on the grounds that our pollution liability claims are primarily for “property damage,” which is covered to the limits of our environmental pollution policies, rather than “cleanup,” which is subject to a $10 million sub-limit.

### Item 1A. *Risk Factors*

See “Risk Factors” attached hereto as Exhibit 99.1 for a discussion of risks our business may face.

### Item 4. *Submission of Matters to a Vote of Security Holders*

At the annual meeting of the stockholders of the Company held on June 6, 2008, the following matters set forth in our Proxy Statement dated April 14, 2008 and amended May 19, 2008, each of which was filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, were voted upon with the results indicated below.

1. The nominees listed below were elected as directors with the respective votes set forth opposite each nominee’s name:

| Director | Votes For | Votes Withheld |
|---|---|---|
| John J. Lipinski | 76,893,117 | 7,580,729 |
| Scott L. Lebovitz | 76,968,744 | 7,505,102 |
| Regis B. Lippert | 84,117,622 | 356,224 |
| George E. Matelich | 76,967,736 | 7,506,110 |
| Steve A. Nordaker | 84,186,935 | 286,911 |
| Stanley de J. Osborne | 76,968,373 | 7,505,473 |
| Kenneth A. Pontarelli | 76,967,379 | 7,506,467 |
| Mark E. Tomkins | 84,215,242 | 258,604 |

2. A proposal ratifying the appointment by the Company’s Audit Committee of KPMG LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2008 was approved, with 84,420,576 votes cast FOR, 45,893 votes cast AGAINST and 7,377 abstentions.

**Item 6.** ***Exhibits***

| Number | Exhibit Title |
|---|---|
| 10.1 | Second Supplement to Environmental Agreement, dated as of July 23, 2008, by and between Coffeyville Resources Refining and Marketing, LLC and Coffeyville Resources Nitrogen Fertilizers, LLC. |
| 10.2 | Letter Agreement between Coffeyville Resources, LLC and J. Aron & Company, dated as of July 29, 2008 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 4, 2008 and incorporated by reference herein) |
| 10.3 | Amendment Agreement to the Company's Amended and Restated Crude Oil Supply Agreement, dated as of July 31, 2008, between J. Aron & Company and Coffeyville Resources Refining & Marketing, LLC |
| 31.1 | Rule 13a — 14(a)/15d — 14(a) Certification of Chief Executive Officer |
| 31.2 | Rule 13a — 14(a)/15d — 14(a) Certification of Chief Financial Officer |
| 32.1 | Section 1350 Certification of Chief Executive Officer and Chief Financial Officer |
| 99.1 | Risk Factors |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 14th day of August, 2008.

**CVR Energy, Inc.**

By: /s/ John J. Lipinski
Chief Executive Officer
(Principal Executive Officer)

By: /s/ James T. Rens
Chief Financial Officer
(Principal Financial Officer)

**SECOND SUPPLEMENT TO ENVIRONMENTAL AGREEMENT**

This Second Supplement to Environmental Agreement (this "***Second Supplement***") is entered into as of July 23, 2008 by Coffeyville Resources Refining & Marketing, LLC, a Delaware limited liability company ("***Refinery Company***"), and Coffeyville Resources Nitrogen Fertilizers, LLC, a Delaware limited liability company ("***Fertilizer Company***"), referred to collectively as the "***Parties***". Capitalized terms used but not otherwise defined herein will have the meanings set forth in the Environmental Agreement, dated as of October 25, 2007, by and between Refinery Company and Fertilizer Company (the "***Environmental Agreement***").

**RECITALS**

Refinery Company owns and operates a Refinery, and Fertilizer Company owns and operates a Fertilizer Plant located adjacent to the Refinery, and Refinery Company and Fertilizer Company entered into the Environmental Agreement for the provision of certain indemnification and access rights in connection with environmental matters affecting the Refinery and the Fertilizer Plant, and certain other related matters. Effective February 15, 2008 Refinery Company and Fertilizer Company entered into a Supplement to Environmental Agreement (the "***Supplement***"), in which Refinery Company and Fertilizer Company acknowledged and agreed upon the transfer of certain property, the Known Contamination Map and the Comprehensive Coke Management Plan.

Exhibit C to the Supplement included the Comprehensive Coke Management Plan, and attached as Appendix A to the Comprehensive Coke Management Plan was the then current agreement between Fertilizer Company and the contractor responsible for loading, unloading and offsite transportation of Coke, all as more particularly described in such agreement (the "***Original Coke Handling Agreement***"). Fertilizer Company and such contractor have entered into an Amended and Restated Coke Handling Agreement, effective March 1, 2008, which amends and restates the Original Coke Handling Agreement (such agreement, the "***Amended Coke Handling Agreement***").

Refinery Company and Fertilizer Company now desire to amend the Supplement to include the Amended Coke Handling Agreement.

1. Amendment. Appendix A to Exhibit C to the Supplement is deleted in its entirety, and is replaced with the Amended Coke Handling Agreement, attached hereto as Appendix A.

2. Ratify Supplement. Except as expressly amended hereby, the Supplement will remain unamended and in full force and effect in accordance with its terms. The amendment provided herein will be limited precisely as drafted and will not constitute an amendment of any other term, condition or provision of the Supplement. References in the Supplement to "Supplement", "hereof", "herein", and words of similar import are deemed to be a reference to the Supplement as amended by this Second Supplement.

3. Counterparts. This Second Supplement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which constitute one agreement that is binding upon each of the parties, notwithstanding that all parties are not signatories to the same counterpart.

*[signature page follows]*

The parties have executed this Second Supplement as of the date first written above.

Coffeyville Resources Refining & Marketing, LLC

By: /s/ John J. Lipinski
Name: John J. Lipinski
Title: Chief Executive Officer & President

Coffeyville Resources Nitrogen Fertilizers, LLC

By: /s/ John J. Lipinski
Name: John J. Lipinski
Title: Chief Executive Officer & President

**Appendix A**

Amended and Restated Coke Handling Agreement

This Amended and Restated Coke Handling Agreement (this "Agreement") is entered into this 1st day of March, 2008 (the "Effective Date") between Coffeyville Resources Nitrogen Fertilizers, LLC, a Delaware limited liability company ("CRNF") and Savage Services Corporation, a Utah corporation ("Savage"). CRNF and Savage are each a "Party" and are collectively the "Parties" to this Agreement.

Background

A. Coffeyville Resources Refining & Marketing, LLC, a Delaware limited liability company ("CRRM") owns and operates a petroleum refinery located at Coffeyville, Kansas (the "Refinery").

B. CRNF owns and operates a fertilizer complex adjacent to the Refinery, consisting of the hydrogen production facility, the air separation unit, the UAN plant, the ammonia synthesis loop, the offsite sulfur recovery unit, the utility facilities, the grounds and related connecting pipes and improvements (the "Fertilizer Complex").

C. CRNF and CRRM are parties to a Coke Supply Agreement dated October 25, 2007, pursuant to which CRRM agrees to sell and deliver to CRNF and CRNF agrees to purchase and accept delivery of Coke produced at the Refinery.

D. The Fertilizer Complex converts Coke produced at the Refinery into hydrogen for use in CRNF's ammonia synthesis loop, and into purified carbon dioxide for use in CRNF's UAN plant.

E. CRNF (as successor in interest to Farmland Industries, Inc.) and Savage (as successor in interest to Banks Construction Company, Inc.) are parties to a Coke Handling Agreement dated July 1, 2000, as amended by a First Addendum dated August 1, 2001, a Second Addendum dated May 1, 2002, and a Second Amendment dated March 5, 2004 (as so amended, the "Original Agreement"), under which Savage agreed to haul, store and handle the Coke and provide certain other services specified therein.

F. CRNF and Savage desire to amend and restate the Original Agreement on the terms and conditions set forth in this Agreement.

Agreement

The Parties, desiring to be legally bound, hereby agree as follows:

1. Recitals and Exhibits. The foregoing background recitals and all Exhibits referenced in this Agreement are expressly made a part of this Agreement.

2. Defined Terms. For purposes of this Agreement, the term:

"Agreement" means this Amended and Restated Coke Handling Agreement and the Exhibits hereto;

"Clear Water Pit" means the concrete pit located on the northeast side of the Coke Pit used to settle fines out of the Coke cutting water;

"CRNF" has the meaning given in the introductory paragraph;

"CRRM" has the meaning given in recital paragraph A;

"Coke" means petroleum coke produced at the Refinery, and petroleum coke produced other than at the Refinery, to be used by CRNF at the Fertilizer Complex;

"Coke Pit" means the existing Coke storage pit located within the Refinery;

"Coke Unit" means the existing coker unit located within the Refinery;

"Commercially Reasonable" means in accordance with commonly accepted trade practices among reputable businesses and commercial enterprises engaged in the same or Similar businesses, acting prudently;

"Damages" has the meaning given in Section 13;

"day" means any calendar day;

"Dispute" has the meaning given in Section 12.1;

"Effective Date" has the meaning given in the introductory paragraph;

"Equipment" means that equipment provided by Savage to perform the Services under this Agreement;

"Event of Default" has the meaning given in Section 15.1;

"Extended Term" has the meaning given in Section 4.2;

"Fertilizer Complex" has the meaning given in recital B;

"Fertilizer Plant Coke Silo" means the existing Coke silo, 01-T101 located within the Fertilizer Complex;

"Fertilizer Plant Coke Storage Area" means the open containment area south of the Coke crushing and conveying system located within the Fertilizer Complex;

"Fertilizer Plant Fluxant Storage Shed" means the storage shed east of the Fertilizer Plant Coke Silo and located within the Fertilizer Complex;

"Fertilizer Plant Slag Storage Area" means the open containment area south of the gasifier structure and north of Martin Street, but located within the Fertilizer Complex;

"Fertilizer Plant Weigh Bin Feeder Hopper" means the slagging additive truck hopper, 0l-T-102 located within the Fertilizer Complex;

"Force Majeure" means war (whether declared or undeclared); fire, flood, lightning, earthquake, storm, tornado, or any other act of God; strikes, lockouts or other labor difficulties; civil disturbances, riot, sabotage, accident, and official order or directive, including with respect to condemnation, or industry-wide request or suggestion by any governmental authority or instrumentality thereof which, in the reasonable judgment of the Party affected, interferes with such Party's performance under this Agreement; any disruption of labor; any inability to secure materials and/or services, including, but not limited to, inability to secure materials and/or services by reason of allocations promulgated by authorized governmental agencies; or any other contingency beyond the reasonable control of the affected Party, which interferes with such Party's performance under this Agreement;

"Imported Coke" means Coke produced from a source other than the Refinery;

"Intermediate Coke Storage Area" means the open storage area at the Refinery tank farm east of Sunflower Road;

"Laws" means all applicable federal, state and local laws, regulations, ordinances, orders and decrees and other administrative measures, including, without limitation, those respecting transportation, health, safety and the environment;

"Monthly Fees" has the meaning given in Section 11.1

"Multi-Party Dispute" has the meaning set forth in Section 12.2;

"Original Agreement" has the meaning set forth in recital paragraph E;

"Party" and "Parties" has the meaning given in the introductory paragraph;

"Primary Term" has the meaning given in Section 4.1;

"Refinery" has the meaning given in recital paragraph A;

"Related Parties" has the meaning given in Section 13;

"Savage" has the meaning given in the introductory paragraph;

"Services" has the meaning given in Section 5;

"Term" has the meaning given in Section 4.3;

"Third, Fourth, and Fifth Sumps" means the concrete sump pits located southeast of the Fertilizer Plant Coke Storage Area;

"Variable Fees" has the meaning given in Section 11.2; and

"WST" means wet short tons.

3. Original Agreement Superseded. This Agreement amends and restates the Original Agreement in its entirety; provided this Agreement does not prejudice the rights or claims that either Party may have, and will not relieve the other party from fulfilling its obligations accrued pursuant to the Original Agreement as of the Effective Date.

4. Term.

4.1 Primary Term. The primary term (the "Primary Term") of this Agreement begins as of the Effective Date and continues for five years, unless earlier terminated in accordance with the terms of this Agreement.

4.2 Extended Term. The Primary Term will automatically extend for successive periods of five years (each, an "Extended Term"), unless either Party gives written notice to the other not less than four months prior to the scheduled expiration date of the Primary Term or the Extended Term then in effect of such Party's desire not to renew this Agreement.

4.3 Term. The Primary Term and all Extended Terms together are the "Term" of this Agreement.

5. Savage's Services. In return for the compensation described in Section 11 of this Agreement, Savage will provide each of the services described in this Section 5 (together, the "Services"):

5.1 Refinery Coke Handling.

(a) Provided that the Refinery's Coke production is available, Savage, at the direction of CRNF, will remove wet Coke from the mid-point of the Coke Pit, after the Coke has had time to dewater, and load the Coke onto Savage's trucks.

(b) Savage, at the direction of CRNF, will transport, in a safe and efficient manner, wet Coke from the Coke Pit to either the Intermediate Coke Storage Area or the Fertilizer Plant Coke Storage Area.

(c) Savage will provide the Coke handling services described in this Section 5.1 in a manner to support the continuous 24-hour per day, 7 days per week operation of the Coke Unit and the Fertilizer Complex.

5.2 Intermediate Coke Storage Area Management. Savage will receive and stockpile Coke, to the extent possible, separated in accordance with quality and source, as requested by CRNF, in the Intermediate Coke Storage Area. Savage will blend, as directed by CRNF, the various qualities and sources of Coke and will load such blended Coke onto Savage's trucks for delivery to the Fertilizer Complex or as otherwise directed by CRNF.

5.3 Coke Transportation from Intermediate Coke Storage Area. Savage, at the direction of CRNF, will load into Savage's trucks and transport, in a safe and efficient manner, Coke from the Intermediate Coke Storage Area to the Fertilizer Plant Coke Storage Area.

5.4 Fertilizer Plant Coke Handling.

(a) Savage, at the direction of CRNF, will receive, stockpile and handle blended and unblended Coke at the Fertilizer Plant Coke Storage Area. Savage will, to the extent reasonably possible, maintain separate stocks of blended and unblended Coke.

(b) Coke will be delivered from the Refinery and from the Intermediate Coke Storage Area to the Fertilizer Plant Coke Storage Area by Savage as outlined in Section 5.1. Coke will also be delivered by truck to the Fertilizer Plant Coke Storage Area from other sources by outside carriers as directed by CRNF. The outside carriers will use end-dump trailers to dump the Coke directly into the Fertilizer Plant Coke Storage Area.

(c) Savage will be responsible for the receipt and handling of Coke in a method so as to eliminate or control the tracking of Coke by its vehicles and provide general clean up in and around the Fertilizer Plant Coke Storage Area.

(d) Savage will feed Coke stored in the Fertilizer Plant Coke Storage Area into the Fertilizer Plant Coke Silo in an efficient manner at such rates to support the continuous 24-hour per day, 7-day per week operation of the Fertilizer Complex.

5.5 Fluxant Handling. Savage will receive, unload, manage and store fluxant at the Fertilizer Plant Fluxant Storage Shed. Savage will transport fluxant from the Fertilizer Plant Fluxant Storage Shed to and feed into the Fertilizer Plant Weigh Bin Feeder Hopper, or other fluxant feed hopper that may at some point replace the Fertilizer Plant Weigh Bin Feeder Hopper, sufficient fluxant to support the continuous 24-hour per day, 7-days per week operation of the Fertilizer Complex.

5.6 Slag Handling. Savage, at the direction of CRNF, will load onto Savage's trucks in a safe and efficient manner, slag from the Fertilizer Plant Slag Storage Area (after CRNF has performed the dewatering process) and deliver it to the Intermediate Coke Storage Area so as to support the continuous 24-hour per day, 7-days per week operation of the Fertilizer Complex. Savage will work together with CRNF to manage and maintain the slag stockpile at the Intermediate Coke Storage Area.

5.7 Coke Sweeping. Savage, at the direction of CRNF, will provide sweeping services at the Fertilizer Complex to eliminate or control fugitive dust created from Coke and slag handling within the Fertilizer Complex.

5.8 Maintenance of Fertilizer Complex Equipment. Savage will operate and provide preventive maintenance for the CRNF Coke-handling equipment listed in Exhibit 5.8 in accordance with the schedule listed in Exhibit 5.8; provided that Savage will not be responsible for repairs to or the replacement for any such equipment. Savage will make best efforts to monitor the status of the equipment listed in Exhibit 5.8 on a daily basis and will report problems and/or possible repair needs to CRNF.

5.9 Clear Water Pit Cleaning. CRNF may request that Savage remove Coke fines from the Clear Water Pit on an as needed basis, not to exceed one time per week. CRNF will remove the water from the Clear Water Pit prior to Savage removing the Coke fines. Savage will use Commercially Reasonable efforts to remove the Coke fines using the same equipment being used to load trucks at the Coke Pit, subject to CRNF providing Savage with not less than 24 hours notice prior to the desired cleaning. Savage will deliver the Coke fines to a location within the Refinery or the Fertilizer Complex as directed by CRNF,

5.10 Third, Fourth, and Fifth Sumps Cleaning. Savage, at the direction of CRNF, will use a front-end loader to drive into and clean coke fines out of the Third, Fourth, and Fifth Sumps. Savage will clean the Fourth and Fifth at least once every two weeks but not more often than once every week. Savage will clean the Third Sump at least once every six months but not more often than once every month. CRNF will be responsible for removing water from the sumps prior to Savage performing such cleaning. Savage's obligations are subject to CRNF providing Savage with not less than 24 hours notice prior to desired cleaning. Savage will deliver the Coke fines to a location within the Fertilizer Complex as directed by CRNF.

5.11 Savage Equipment and Personnel. Savage will, at its expense, provide the Equipment, fuel and qualified employees reasonably sufficient to provide the Services in a timely manner without interruption. Such Equipment will be suitable for conducting the operations for which it is used in a safe, efficient and effective manner without causing damage to the Refinery, the Fertilizer Complex or any property appurtenant thereto.

5.12 Maintenance of Savage Equipment. Savage will maintain its Equipment in good and safe operating condition, reasonably sufficient to provide the Services in a timely manner without interruption, and will at its expense provide all fuel and lubricants for such Equipment.

5.13 Hours of Operation. The Parties agree that on the start date of the Primery Term the Coke Unit is operated on a 14-hour cycle (one cut every seven hours). As such, Savage will provide the Services up to 20 hours per day five days per week and up to 12 hours per day two days per week. While the Parties anticipate that such a schedule will be sufficient to provide the Services, the Parties will determine any necessary changes CRNF requires to both maintain the operation of the Fertilizer Complex, at the capacity determined by CRNF, and satisfy

CRNF's obligations to CRRM. It is anticipated that the Coke Unit will eventually be operated on a 12 hour cycle (one cut every six hours). However, the Parties do not anticipate a need for additional labor or equipment to accommodate such a change in cut cycle. Should the change in cut cycle require additional staffing and/or equipment, the Parties agree to negotiate, in good faith, any required changes and the related costs.

6. Additional Services. Savage will, for the additional compensation specified and upon request , provide the following additional services:

6.1 Refinery Services. From time to time, the overhead crane operated by CRRM may be out of service, causing CRRM to be unable to move wet coke from the west end of the Coke Pit to the mid-point of the Coke Pit. CRRM, at its discretion, may engage Savage to move the Coke from the west end to the mid point of the Coke Pit, subject to Savage and CRRM mutually agreeing on a rate and payment terms for such work in advance.

6.2 Other Services. During the Term, CRNF may ask Savage to provide Coke crushing, sizing and blending, as directed by CRNF, as well as other Coke handling services not otherwise specifically described herein. To the extent Savage can provide such additional services with its existing staff, working its normal work schedule, and using existing equipment, there will be no additional charges. Should Savage need to bring in additional staff and equipment, or work beyond its normal shifts, to provide such additional services, the Parties agree to negotiate, in good faith, rates for such additional services on a case by case basis before Savage performs such services.

6.3 Delivery of Coke Outside the Fertilizer Complex. Should CRNF require Coke to be delivered from the Intermediate Coke Storage Area to a location outside of the Fertilizer Complex or the Refinery, the Parties will negotiate, in good faith, an additional fee for such services.

7. Fluxant Facility. In return for the compensation described in Section 11.7 of this Agreement, Savage will, at CRNF's request, lease a covered storage facility, subject to approval by CRNF, suitable for storing and mixing fluxant materials (the "Fluxant Facility"); provided, Savage may not change the location of the Fluxant Facility or the terms of the lease of the Fluxant Facility without CRNF's prior written consent. CRNF will be responsible for restoring the Fluxant Facility back to its original condition once it is no longer needed and may hire Savage to provide such clean up services. Notwithstanding the foregoing, Savage will be responsible for damage to the Fluxant Facility to the extent caused by its personnel and/or Equipment. Fluxant is made up of a mixture of Coke, sand, and pond ash. Savage will make arrangements for the purchase of sand and fly ash, as directed by CRNF, and will arrange for the sand and pond ash to be delivered to the Fluxant Facility. CRNF will provide the Coke and any other materials used to create the fluxant. Savage will deliver the Coke to the Fluxant Facility. Savage will use a front-end loader to mix the fluxant and will use Commercially Reasonable efforts to mix the fluxant according to the recipe provided by CRNF, but does not warrant

the consistency or quality of fluxant due to variations in materials and in the mixing process. Savage will load the mixed fluxant into its trucks and deliver it to the Fertilizer Plant lux ant Storage Shed to support the continuous 24-hour, 7-day per week operation of the Fertilizer Complex,

8. CRNF's Responsibilities.

8.1 Storage Areas. CRNF will provide adequate space for the Fertilizer Plant Coke Storage Area, Fertilizer Plant Slag Storage Area and Intermediate Coke Storage Area, each within a reasonable distance from the source of the materials to be stored therein and connected to such source by hauling roads reasonably sufficient to allow Savage to meet its obligations hereunder.

8.2 Haul Roads. CRNF will provide and maintain adequate roads in or on its property reasonably sufficient for Savage to haul Coke, slag, fluxant and other materials pursuant to this Agreement.

8.3 Site License. CRNF grants to Savage for the Term a license to keep an office trailer, fuel tanks (sufficient to allow it to perform its duties under this Agreement) and associated containment facilities at the Fertilizer Complex, as determined by CRNF; provided Savage maintains such facilities in compliance with all applicable Laws.

8.4 Refinery Coke Handling. CRNF will use its Commercially Reasonable efforts to cause CRRM to cooperate with Savage to operate the bridge crane so as to move wet Coke, generally from the west end of the Coke Pit, to approximately the mid point of the Coke Pit. In order to facilitate the timely and efficient loading of trucks by Savage, CRNF will use its Commercially Reasonable efforts to cause the overhead crane operator to fully cooperate with, and comply with reasonable requests made by, Savage to move the Coke to the mid-point of the Coke Pit to make available for loading.

8.5 Intermediate Coke Storage Area. CRNF will supply adequate space and facilities to stockpile all Coke and slag to be stockpiled at the Intermediate Coke Storage Area. CRNF will supply Savage with adequate facilities at the Intermediate Coke Storage Area capable of receiving Coke and slag in a manner that will reasonably control tracking of Coke and slag by Savage's hauling equipment. In addition, CRNF will supply adequate facilities to control Coke dust and to support Savage's clean-up activities. CRBF will remove the water from the Intermediate Coke Storage Area as needed to maintain a safe operating area.

8.6 Fertilizer Plant Coke Storage Area. CRNF will supply Savage with adequate facilities and water to control Coke dust and to support Savage's clean up activities at the Fertilizer Plant Coke Storage Area.

8.7 Maintenance of Fertilizer Plant Equipment. CRNF will at its expense pay or provide all lubricants and supplies required for Savage to provide the services in Section 5.8.

9. Solicitation of Savage Employees. During the Term of this Agreement and for a period of one year after its termination, neither Party will solicit, offer employment to or in any other manner cause or encourage an employee of the other Party to terminate employment with such other Party for the purpose of being employed by the soliciting Party.

10. Temporary Shut Down. Except for the obligations contained in Section 11.8, the requirements, obligations and rights under this Agreement will be suspended during any period that the Refinery or Fertilizer Complex is shut down. A temporary shutdown of the Refinery or Fertilizer Complex will be deemed to have occurred and be continuing for such period as CRRM or CRNF may reasonably designate. CRNF will provide notice of a shutdown of the Refinery or Fertilizer Complex to Savage upon such shutdown. However, CRNF will continue to pay the Monthly Fee to Savage pursuant to Section 11.1.

11. Compensation.

11.1 Monthly Fee. CRNF will pay to Savage $129,238.53 dollars per month (the "Monthly Fee") for the Services, The Monthly Fee is based on the hours of operation outlined in Section 5.13. If the Coke Unit cut cycle changes on a permanent basis, requiring additional Savage staffing, the Parties will evaluate such changes and negotiate, in good faith, any necessary corresponding changes to the Monthly Fee.

11.2 Variable Fees. CRNF will pay to Savage the following variable fees (the "Variable Fees"):

(a) $0.573 per short ton of Coke produced by the Refinery and handled by Savage (with CRNF to provide Savage with a daily report of tons produced by the Refinery); and

(b) $0.169 per short ton of Coke received by Savage and delivered by outside carriers (non-Savage) to the Fertilizer Plant Coke Storage Area per Section 5.4 (with CRNF to provide Savage with a daily report of tons delivered to the Fertilizer Plant Coke Storage Area by outside carriers).

11.3 Rate for Hauling Coke from Intermediate Coke Storage Area to Fertilizer Plant Coke Storage Area. CRNF will compensate Savage for loading and hauling Coke from the Intermediate Coke Storage Area to the Fertilizer Plant Coke Storage Area pursuant to Section 5.3 at the rate of $24.77 per truck (tandem axle) load.

11.4 Rate for Handling Imported Coke. When the Monthly Fee and/or Variable Fees do not apply to Savage's handling Imported Coke pursuant to Section 5.4, such as when Imported Coke arrives at the Fertilizer Complex via rail, the Parties will discuss any additional costs associated with the handling of such Imported Coke and negotiate a rate, in good faith in advance, on a case by case basis.

11.5 Rate for Slag Handling Services, CRNF will compensate Savage for providing Slag Handling services pursuant to Section 5.6 at the rate of $10.32 per truck (tandem axle) load.

11.6 Rate for Coke Sweeping Services. CRNF will compensate Savage for providing Coke sweeping services pursuant to Section 5.7 at the rate of $688.00 per day for eight hours per day, five days per week, including routine maintenance and cleaning of equipment. CRNF will compensate Savage for additional hours at the rate of $69.50 per hour or fraction thereof, calculated in one-half hour increments.

11.7 Rate for Fluxant Materials and Mixing. CRNF will reimburse Savage for the monthly cost of the leased Fluxant Facility pursuant to Section 7, plus 15%. CRNF will also reimburse Savage for the cost to purchase, load at origin, and deliver sand and pond ash to the Fluxant Facility, plus 15%. In addition, CRNF will compensate Savage for fluxant mixing and delivery to the Fertilizer Plant Fluxant Storage Shed at the rate of $16.98 per WST. Savage will invoice CRNF for fluxant based on weights from the CRNF scale.

11.8 Personnel Availability. In the event that the Refinery or Fertilizer Complex is shut down, as contemplated by Section 10, Savage will cause its employees to assist CRNF to fill such duties or functions, for which such employees are qualified, as may be designated by CRNF.

11.9 Adjustment of Monthly Fee and Rates. The Monthly Fee and all rates specified in this Section 11 will be subject to an adjustment as provided in Exhibit 11.9.

11.10 Invoicing and Payments. Savage will invoice CRNF monthly. Such invoices will specify the Services rendered in reasonable detail. CRNF will pay the undisputed portion of each invoice within 30 days of the date thereof. Invoices not paid when due will accrue interest at the rate of 18% per year from the due date until paid.

11.11 Invoice Dispute. In the event CRNF disputes one or more items in an invoice, it will notify Savage in writing of the item or items under dispute and the reasons therefor. CRNF may withhold payment of the portion of such invoice disputed in good faith, without payment of interest described above, until the Parties agree to a settlement thereof. Any portion of a disputed invoice which is later paid, will be paid with accrued interest thereon from the date of such invoice until paid.

11.12 Right to Withhold Services. In addition to any other rights, upon giving 10 days' written notice, Savage may withhold its services under this Agreement in the event CRNF fails to pay timely any amounts invoiced by Savage that are not timely disputed in good faith by CRNF.

11.13 Law or Policy Change. If, subsequent to the date of this Agreement, (i) any new Law or industry requirement is promulgated or the interpretation or enforcement of any existing Law or requirement is changed, or (ii) CRNF or CRRM adopts any new procedure or policy, or amends any existing procedure or policy, which increases or decreases Savage's costs, then Savage will compute such cost changes and adjust the applicable fees and rates to reflect such changes. CRNF will have the right to review and approve, which approval will not be unreasonably withheld, Savage's calculations for changes hereunder prior to the changes going into effect; provided any approved changes will be effective from the date on which Savage begins to incur such additional costs.

12. Disputes.

12.1 Arbitration. The Parties will in good faith attempt to resolve promptly and amicably any dispute between the Parties arising out of or relating to this Agreement (each a "Dispute") pursuant to this Section 12.1. The Parties will first submit the Dispute to a representative of each Party, who will then meet within 30 days to resolve the Dispute. If the Dispute has not been resolved within 60 days of the submission of the Dispute to such representatives, the Dispute will be submitted to a mutually agreed arbitrator who will then meet with the Parties within 30 days to resolve the Dispute. If the Parties cannot agree on an arbitrator, each Party will appoint one arbitrator, each such arbitrator being appointed within 10 days thereafter, and the appointed arbitrators will mutually select a third arbitrator within 10 days after their appointment. The arbitration will be in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association. The arbitration will be held in Kansas City, Missouri, or such other place as the Parties agree, within 30 days of the appointment of the arbitrator(s). The judgment of the arbitrator(s) will be determined within 30 days after the conclusion of the arbitration hearing, and will be final and binding on the Parties and may be entered in any court having jurisdiction. The costs and expenses of the arbitrator(s) will be borne equally by the Parties, and the Parties will pay their own respective attorneys' fees and other costs.

12.2 Multi-Party Disputes. The Parties acknowledge that they or, their respective affiliates contemplate entering or have entered into various additional agreements with third parties that relate to the subject matter of this Agreement and that, as a consequence, Disputes may arise hereunder that involve such third parties (each a "Multi-Party Dispute"). Any such Multi-Party Dispute, to the extent feasible, will be resolved by and among all the interested parties pursuant to the provisions of Section 12.1.

13. Indemnification. Each Party will indemnify, defend and hold harmless the other Party, its parent, subsidiaries, affiliates, successors and assigns and each of their officers, directors, shareholders and employees ("Related Parties") from any damage to property, any injury to person (including death), and any other liabilities, obligations, demands, claims, causes of action, expenses, fines and losses of any type (including, but not limited to, reasonable attorneys' fees and litigation expenses) (collectively, "Damages") to the extent caused by, attributable to, resulting from or arising out of (a) the indemnifying Party's or its Related Parties' negligence, gross negligence or willful misconduct in performing or failing to perform its obligations under this Agreement, (b) the indemnifying Party's or its Related Parties' breach of any representation, warranty or covenant contained in this Agreement or in any of its Exhibits, or (c) the indemnifying Party's or its Related Parties' failure to

comply with Law. Where Damages are the result of the joint or concurrent negligence of the Parties, each Party will indemnify the other in proportion to its respective allocable share of such joint or concurrent negligence.

14. Insurance.

14.1 Savage will provide and maintain insurance of the following types and amounts:

(a) workers' compensation insurance as required by Law in the state having jurisdiction over its employees, and over the location where the Services are being performed, and employer's liability insurance with limits of $500,000 per occurrence;

(b) general liability insurance, including contractual liability, XCU hazards (explosion, collapse and underground) and completed operations to cover liability for bodily injury and property damage with a combined single limit of $2,000,000 per occurrence; and

(c) business automobile liability insurance covering owned, hired or non-owned automobile equipment, including liability for bodily injury and property damage with a combined single limit of $2,000,000 per occurrence.

14.2 Policy Provisions. The general liability and business automobile liability policies will name CRNF as an additional insured for liabilities arising out of Savage's performance under this Agreement and will be primary to any other insurance of CRNF; provided, however, insurance provided by Savage will not cover the negligent acts or omissions of any of the additional insureds. The workers' compensation and employer's liability insurance will add CRNF under an alternate employer endorsement. Such insurance will specifically provide that it applies separately to each insured against which claim is made or suit is brought, except with respect to the limits of the insurer's liability.

14.3 Certificates. Prior to providing any Services, Savage will furnish CRNF with certificates of insurance, which document that all coverages and endorsements required by this Article 14 have been obtained. Renewal certificates will be obtained by Savage as and when necessary and copies thereof will be forwarded to CRNF as soon as same are available and in any event prior to the expiration of the policy so renewed. These certificates will provide for 30 days written notice to CRNF prior to change or cancellation of any policy. In no event will CRNF's acceptance of an insurance certificate that does not comply with this Section 14.3 constitute a waiver of any requirement of this Article 14.

14.4 The provisions of this Article 14 will survive the termination of this Agreement.

15. Defaults and Remedies.

15.1 Events of Defaults. Any one or more of the following will constitute an "Event of Default" hereunder:

(a) Either Party fails to pay any amount (other than one disputed in good faith) within 10 days after written notice that such amount is overdue.

(b) Savage fails to perform one or more of the Services described in Sections 5.1 — 5.6, or in the manner described in Section 5.13 and Savage has not cured such failure within 15 days after receipt of written notice thereof from CRNF; provided, Savage will only be entitled to this 15 day cure period once during any continuous 12 month period for a failure of the same type. Any subsequent failure of the same type occurring within 12 months will immediately be deemed an Event of Default without a further opportunity to cure, unless an additional opportunity to cure is granted by CRNF (in CRNF's sole discretion).

(c) Except as otherwise specified above, either Party fails to perform or observe any other material term or provision of this Agreement and such failure (i) is not cured within 30 days after written notice thereof has been given by the non-defaulting Party when the failure can be cured within such period, or (ii) if the failure cannot be cured within such period, (x) the defaulting Party fails to initiate or diligently pursue a cure within such period or (y) the defaulting Party fails to cure the failure within such additional period as may reasonably be required to effect a cure after the notice.

(d) Either Party (i) applies for or consents to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) is unable or admits in writing its inability to pay its debts generally as they mature, (iii) makes a general assignment for the benefit of its creditors, (iv) is dissolved or liquidated in full or in part, or (v) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it.

15.2 Remedies. Subject to the notice provisions set forth in Section 17.3 hereof, upon the occurrence or continuance of an Event of Default, the non-defaulting Party may at its option do any one or more of the following in any order: (a) terminate this Agreement without relieving the defaulting Party of any of its obligations already incurred under this Agreement, or (b) exercise any or all other rights or remedies otherwise provided by this Agreement or by law or in equity.

15.3 Remedies are Cumulative. All remedies provided for in this Agreement are cumulative and are in addition to each other and to any and all other rights and remedies provided by law or in equity. The exercise of any right or remedy by the non-defaulting Party hereunder will not in any way constitute a cure or waiver of default hereunder, or invalidate any act done pursuant to any notice of default, or prejudice the non-defaulting Party in the exercise of any of the rights hereunder.

15.4 Limitation of Damages. In no event will either Party be liable for loss of profits, loss of opportunity, or loss of production which may be suffered by such Party in connection with the performance of this Agreement; provided that third party damages subject to indemnification under this Agreement will not be limited by this Section.

15.5 Step-in Rights. If Savage fails to perform one or more of the Services described in Sections 5.1 — 5.6, or in the manner described in Section 5.13, and such failure will (in CRNF's reasonable judgment), without immediate corrective action, jeopardize the continued operation of the Refinery's coker units or the Fertilizer Complex, then regardless if such failure is or is not subject to cure pursuant to Section 15.1(b), CRNF will have the right, but not the obligation, temporarily at CRNF's expense to take over control and operation of the Equipment and perform the Services itself or using another contractor selected by CRNF (in CRNF's sole discretion) until the earlier of (a) such time as Savage cures such breach as provided in Section 15.1(b), if applicable, and resumes performing the Services, or (b) 30 days following the date on which CRNF terminates this Agreement for cause in accordance with Section 15.2; provided that, during the period that CRNF (or a CRNF contractor other than Savage) controls and operates the Equipment, (i) CRNF will have no obligation to pay Savage the Monthly Fees or the Variable Fees to the extent Savage is not providing Services, (ii) Savage will reimburse CRNF for fees paid to another contractor to perform the Services during such period that are in excess of the Monthly Fees and the Variable Fees that would have been paid to Savage during such period, and (iii) CRNF will be responsible for the servicing, maintenance, repairs, damage and loss associated with CRNF's or its contractor's use of the Equipment during such period, and will indemnify and defend Savage against claims resulting from CRNF's or its contractor's use of the Equipment during such period.

16. Force Majeure

16.1 Performance Excused. No Party will be liable to any other Party for failure of or delay in performance hereunder (except for the payment of money) to the extent that the failure or delay is due to Force Majeure. Performance under this Agreement will be suspended (except for the payment of money then due or to become due) during the period of Force Majeure to the extent made necessary by the Force Majeure.

16.2 No Extension. No failure of or delay in performance pursuant to this Article 16 will operate to extend the term of this Agreement. Performance under this Agreement will resume to the extent made possible by the end or amelioration of the Force Majeure event.

16.3 Notice of Force Majeure. Upon the occurrence of any event of Force Majeure, the Party claiming Force Majeure will notify the other Party promptly in writing of such event and, to the extent possible, inform the other Party of the expected duration of the Force Majeure event and the performance to be affected by the event of Force Majeure under this Agreement. Each Party will designate a person with the power to represent such Party with respect to the event of Force Majeure. The Party claiming Force Majeure will use its Commercially Reasonable efforts, in cooperation with the other Party and such Party's designee, to diligently and expeditiously end or mitigate the Force Majeure event. In this regard, the Parties will confer and cooperate with one another in determining the most cost-effective and appropriate action to be taken. If the Parties are unable to agree upon such determination, the matter will be determined by dispute resolution in accordance with Article 12.

17. Miscellaneous.

17.1 Assignment. This Agreement will extend to and be binding upon the Parties hereto, their successors and assigns. No assignment by Savage will be permitted hereunder without the express prior written consent of CRNF, and any assignment made without such express prior written consent will be void. No assignment by CRNF will be permitted hereunder without the express prior written consent of Savage, which will not be unreasonably withheld.

17.2 Governing Law. This Agreement will be governed by, and interpreted and construed in accordance with, the laws of the State of Kansas, without regard to the conflict of law provisions thereof. To the extent such laws conflict with the Federal Arbitration Act, the Federal Arbitration Act will apply.

17.3 Notices. Any notice required or permitted by this Agreement must be in writing and delivered as follows, with notice deemed given as indicated: (i) by personal delivery when delivered personally; (ii) by overnight courier upon written verification of receipt; or (iii) by certified or registered mail, return receipt requested, upon verification of receipt. Notice must be sent to the following addresses or such other address as either party may specify in writing:

If to CRNF:

Coffeyville Resources Nitrogen Fertilizers, LLC
Attention: General Manager
Nitrogen Plant 701 East North Street
Post Office Box 5000
Coffeyville, Kansas 67337

With a copy to:

Coffeyville Resources Nitrogen Fertilizers, LLC
Attention: Kevan Vick
10 East Cambridge Circle Drive, Suite 250
Kansas City, Kansas 66103

If to Savage:

Savage Services Corporation
Attention: Group Leader, Refinery & Sulphur Services
6340 South 3000 East, Suite 600
Salt Lake City, Utah 84121

With a copy to:

Savage Services Corporation
Attention: General Counsel
6340 South 3000 East, Suite 600
Salt Lake City, Utah 84121

17.4 Headings. The Article and Section headings used in this Agreement are for convenience only and do not constitute a part of this Agreement.

17.5 Standard of Conduct. The Parties will at all times carry out their duties and responsibilities hereunder in an efficient, cost-effective and prudent manner, consistent with standards and practices that are customary in the chemical and industrial gases industries.

17.6 Independent Contractor. Savage is an independent contractor in the performance of each and every part of this Agreement. Savage will have full and complete control as an independent contractor of its activities and operations, and those of any subcontractors, under this Agreement. Savage's employees will be deemed for all purposes the employees of Savage and subject to Savage's sole and exclusive direction, supervision and control.

17.7 Severability. Every covenant, term and provision of this Agreement will be construed simply according to its fair meaning and in accordance with industry standards and not strictly for or against any Party. Every provision of this Agreement is intended to be severable. If any term or provision of this Agreement is illegal or invalid for any reason, such illegality or invalidity will not affect the validity or legality of the remainder of the Agreement.

17.8 Waiver. The waiver by either Party of any breach of any term, covenant or condition contained in this Agreement will not be deemed to be a waiver of such term, covenant or condition or of any subsequent breach of the same or any other term, covenant or condition contained in this Agreement. No term, covenant or condition of this Agreement will be deemed to have been waived unless such waiver is in writing.

17.9 Entire Agreement. This Agreement represents the entire and integrated agreement between the Parties with respect to the subject matter hereof and supersedes all prior or contemporaneous negotiations or representations or prior agreements, whether oral or written, including the Original Agreement.

17.10 Amendment. No amendment or modification of this Agreement may be made except as may be mutually agreed upon in writing by each Party.

17.11 Counterparts. This Agreement may be executed in multiple counterparts, each of which will be deemed an original, but all of which will constitute one and the same instrument.

*[signature page follows]*

Executed as of the date first set forth above.

Coffeyville Resources Nitrogen Fertilizers, LLC

By: /s/ Stanley A. Riemann
Name: Stanley A. Riemann
Title: COO

Savage Services Corporation

By: /s/ Jason Ray
Name: Jason Ray
Title: VP Operations

Exhibits

Exhibit 5.8 — Coffeyville Resources Equipment Exhibit
Exhibit 11.9 — Adjustment Procedures

Exhibit 5.8

Coffeyville Resources Equipment

| | Equipment No. | Description |
|---|---|---|
| 1. | 1-H-101 | Feeder Breaker |
| 2. | 1-H-102 | Crusher Feed Conveyor |
| 3. | 1-H-10 | Bag House at Crusher Building |
| 4. | 1-H-103 | Magnetic Separator at Crusher |
| 5. | 1-Y-101 | Crusher |
| 6. | 1-H-105 | Silo Feed Conveyor |
| 7. | 1-H-08A | Silo Dust Collector |

Maintenance Requirements

| **FEEDER BREAKER 01-H-101** | **Daily** | **Weekly** | **Monthly** | **6 months** |
|---|---|---|---|---|
| Grease pick breaker motor (2 pumps) | | | | X |
| All other bearings are on auto greasers. Report to Maint when greasers are low. | | | X | |
| Check pick breaker chain drive and gear box oil levels | | X | | |
| Clean coke accumulations from feeder breaker drive equipment. | X | | | |
| Remove buildup in feed conveyor outlet chute. | X | | | |
| Clean hydraulic skid and report any leaks to maintenance. | X | | | |
| | | | | |
| **CRUSHER FEED CONVEYOR 01-H-102** | | | | |
| Grease conveyor head, tail, and idler roller bearings (2 pumps) | | X | | |
| Grease belt roller bearings (4 pumps) | | X | | |
| Grease conveyor driver motor bearings (1 pump) | | | | X |
| Check driver gear box oil level weekly. | | X | | |
| Clean outlet chute of coke buildup. | X | | | |
| Remove coke from the conveyor head roller area to prevent belt wear and tracking problems. | X | | | |
| Visually inspect belt tracking and report problems to Maintenance. | X | | | |
| | | | | |
| **CRUSHER MAGNETIC SEPERATOR 01-H-103** | | | | |
| Grease all bearings (2 pumps) | | X | | |
| Check driver gear box oil level. | X | | | |
| Visually inspect belt tracking. Report problems to Maintenance. | X | | | |

| | Daily | Weekly | Monthly | 6 months |
|---|---|---|---|---|
| **COKE CRUSHER 01-Y-101** | | | | |
| Grease crusher main bearings (1 pump). | | X | | |
| Grease drive motor bearings (2 pumps) | | | | X |
| Clean tramp metal collection trays. | X | | | |
| Check oil level in drive gear box. | | X | | |
| Clean inlet and outlet chutes of coke buildup. | X | | | |
| Check that chute vibrators are operating when ever crusher is operating. | X | | | |
| Clean Crusher walkway deck. | X | | | |
| Verify crusher overhead hoist is under the roof when not in use. | X | | | |
| | | | | |
| **CRUSHER AREA BAG HOUSE 01-H-10** | | | | |
| Grease blower bearings (2 pumps) | | | X | |
| Grease blower motor bearings (2 pumps) | | | X | |
| Grease blower air lock bearings (1 pump) weekly. | | X | | |
| Check Air lock drive gear box oil level. | | X | | |
| Visually inspect drive belt. | | X | | |
| Report excessive vibration and belt noise to maintenance. | X | | | |
| Check that blast doors are intact | | X | | |
| | | | | |
| **COKE SILO FEED CONVEYOR 01-H-05** | | | | |
| Grease head, tail, and idler roll bearings (3 pumps) | | | X | |
| Grease belt roller bearings (4 pumps) | | X | | |
| Grease anti reverse arm bearings (1 pump) | | | X | |
| Visually inspect belt tracking. | X | | | |
| Clean conveyor head roller area of any coke buildup. | X | | | |
| Clean belt wash trough of coke. | X | | | |
| Report damaged idlers to maintenance. | X | | | |
| Verify belt scrapers are operating correctly. | | X | | |
| Clean conveyor head scraper drop chute. | | X | | |
| Clean drive assembly and pent house area. | | X | | |
| Verify silo hoist is stored inside of building when not used. | X | | | |
| | | | | |
| **COKE SILO BAG HOUSE 01-H-08A** | | | | |
| The blower and drive motor have sealed bearings. Maint to inspect. | | | | X |
| Visually inspect drive belt. | | X | | |
| Report excessive vibration or noise to maintenance. | X | | | |

Exhibit 11.9

Adjustment Procedures

1. Adjustments to Fees. During the Term, the Monthly Fee and other rates specified in Article 11 will be subject to adjustment at the times, in the manner and by the same percentage as provided in this Exhibit 11.9. For the purpose of calculating any adjustments, the following component breakdown, the applicable indices and indices base dates, and adjustment procedures will apply:

Fee: Monthly Fee (Section 11.1)
Component Breakdown:

| | | |
|---|---|---|
| (a) Fuel | 2% | of rate |
| (b) Other Costs | 98% | of rate |
| Total | 100% | |

Fee: Variable Refinery Coke Fee (Section 11.2a)
Component Breakdown:

| | | |
|---|---|---|
| (a) Fuel | 43% | of rate |
| (b) Other Costs | 57% | of rate |
| Total | 100% | |

Fee: Variable Non-Refinery Component Coke Fee (Section 11.2b)
Component Breakdown:

| | | |
|---|---|---|
| (a) Fuel | 43% | of rate |
| (b) Other Costs | 57% | of rate |
| Total | 100% | |

Fee: Hauling Coke from Intermediate Coke Storage Area to Fertilizer Plant Coke Storage Area Fee (Section 11.3)
Component Breakdown:

| | | |
|---|---|---|
| (a) Fuel | 43% | of rate |
| (b) Other Costs | 57% | of rate |
| Total | 100% | |

Fee: Slag Handling Fee (Section 11.5)
Component Breakdown:

| | | |
|---|---|---|
| (a) Fuel | 43% | of rate |
| (b) Other Costs | 57% | of rate |
| Total | 100% | |

Fee: Sweeping Fee (Section 11.6)
Component Breakdown:

| | | |
|---|---|---|
| (a) Fuel | 15% | of rate |
| (b) Other Costs | 85% | of rate |
| Total | 100% | |

Fee: Fluxant Fee (Section 11.7)
Component Breakdown:

| | | |
|---|---|---|
| (a) Fuel | 15% | of rate |
| (b) Other Costs | 85% | of rate |
| Total | 100% | |

2. Adjustment Indices Applicable to Fee Components:

(a) Fuel. The "Fuel" component will be adjusted at the start of the Primary Term, and on the 1st day of each subsequent quarter thereafter (March, June, September, December) throughout the balance of the Term. The fuel adjustment will be based upon changes in the Lundberg Index for No. 2 low sulfur, branded rack diesel for Wichita, Kansas. The Lundberg price published for the third Friday of the month immediately preceding each fuel adjustment date will be used for calculating each adjustment. The adjustment will use the following base costs:

| | | | |
|---|---|---|---|
| Lundberg | | 2.00 | |
| Federal Tax | | 0.244 | |
| Kansas State Tax | | 0.260 | |
| Total Price | $ | 2.504 | per gallon |

(b) Other Costs. The "Other Costs" component will be adjusted annually beginning March 1, 2009, based upon changes in the Producer Price Index, special commodities grouping, not seasonally adjusted, industrial commodities less fuels and related products and power as first published monthly by the U.S. Department of Labor in its PPI Detailed Report publication. The immediately preceding December index will be used for each March 1st adjustment. The base index will be the index for December 2007, which is 173.2. The "Other Costs" component will not be adjusted more than 3.0% per contract year from the base index.

3. Method of Calculating Adjustments. Each of the fee component percentages will be increased or decreased by a value multiplier determined by the division of the current index value by the base index value. The sum of the resultant adjusted component percentages becomes the fee multiplier. The base fee is then increased or decreased by multiplying the fee by the fee multiplier. The value multiplier percentage, fee component percentages and fee multiplier will be rounded to three decimal places (one percentage decimal place). The fee will be adjusted to the same number of decimal places in the respective base rates. The fee multiplier will never be less than the value of 1.000. An example of such calculation is attached to the end of this Exhibit.

4. Discontinued. Suspended or Unrepresentative Indexes. If any of the above defined indexes are discontinued or suspended, or if either Party determines in good faith that any of the defined indexes are not representative of true changes in cost, the Parties agree to negotiate, in good faith, for suitable substitutes for such indexes.

SAVAGE SERVICES CORPORATION
Rate Adjustment Worksheet
Coffeyville Resources
Effective Date March 1, 2008

Index Data

| Component | Index Information | | A<br>Index Data<br>Current | B<br>Index Data<br>Base | C<br>Value Multiplier<br>A/B |
|---|---|---|---|---|---|
| (1) Fuel | | | 3.3226 | 2.5040 | 132.7% |
| | Lundberg #2 LS. Branded, Wichita. KS<br>3rd Friday of prior month | | | | |
| | Lundberg Index Value | 02/15/03 | 2.8188 | 2.0000 | |
| | Federal Fuel Tax | | 0.2440 | 0.2440 | |
| | Kansas Fuel Tax | | 0.2600 | 0.2600 | |
| | Start of Primary Term, (March 1, 2008) | | 3.3228 | 2.5040 | |
| | Quarterly Thereafter (Jun 1, Sep 1, Dec 1, Mar 1) | | | | |
| (2) Other Costs | | | 173.2 | 173.2 | 100.0% |
| | PPI-WPU03T15M05, Industrial | | Dec-07 | Dec-07 | |
| | Commodities less fuels-Prior Dec | | | | |
| | Annually Beginning March 1,2009 | | | | |

Index & Component Data

| | A<br>Index Data<br>Current | B<br>Index Data<br>Base | C<br>Value Multiplier<br>A/B | D<br>Component Percentage Data<br>Base | E<br>Adjusted<br>C x D |
|---|---|---|---|---|---|
| Fee Multiplier #1 | | | | | |
| (1) Fuel - | 3.3226 | 2.5040 | 132.7% | 2.0% | 2.7% |
| (2) Other Costs | 173.2 | 173.2 | 100.0% | 98.0% | 98.0% |
| | | | Total | 100.0% | 100.7% |
| | | | | | F-1<br>Fee Multiplier |
| Fee Multiplier #2 | | | | | |
| (1) Fuel | 3.3226 | 2.5040 | 132.7% | 43.0% | 57.1% |
| (2) Other Costs | 173.2 | 173.2 | 100.0% | 57.0% | 57.0% |
| | | | Total | 100.00% | 114.1% |
| | | | | | F-2<br>Fee Multiplier |
| Fee Multiplier #3 | | | | | |
| (1) Fuel | 3.3226 | 2.5040 | 132.7% | 15.0% | 19.9% |
| (2) Other Costs | 173.2 | 173.2 | 100.0% | 85.0% | 85.0% |
| | | | Total | 100.00% | 104.9% |
| | | | | | F-3<br>Fee Multiplier |

Fee Data

| | Section | F<br>Fee Data<br>Ref | Multiplier | G<br>Base | H<br>Unit of Measure | I<br>Adjusted Fee<br>F x G |
|---|---|---|---|---|---|---|
| Monthly Fee | 11.1 | F-1 | 100.7% | $ 129,238.53 | Month | $ 130,143.20 |
| Refinery Coke | 11.2(a) | F-2 | 114.1% | $ 0.573 | Short Ton | $ 0.654 |
| Non-Refinery Coke Fee | 11.2(b) | F-2 | 114.1% | $ 0.169 | Short Ton | $ 0.193 |
| Hauling Coke from Intermediate Coke Storage Area to | | | | | | |
| Fertilizer Plant Coke Storage Area | 11.3 | F-2 | 114.1% | $ 24.77 | Truck Load | $ 28.26 |
| Slag Handling Services | 11.5 | F-2 | 114.1% | $ 10.32 | Truck Load | $ 11.78 |
| Coke Sweeping Services | | | | | | |
| Daily Rate | 11.6 | F-3 | 104.9% | $ 688.00 | Day | $ 721.71 |
| Additional Hours | 11.6 | F-3 | 104.9% | $ 69.50 | Hour | $ 72.91 |
| Fluxant Mixing & Transporting | 11.7 | F-3 | 104.9% | $ 16.98 | Short Ton | $ 17.81 |

**SAVAGE SERVICES CORPORATION**
Notice of Rate Adjustment
Coffeyville Resources
Effective Date: March 1, 2008

| Description | Unit of Measure | Previous Rate Base | New Rate 3/1/2008 |
|---|---|---|---|
| Monthly Fee | Month | $ 129,238.53 | $ 130,143.20 |
| Refinery Coke | Short Ton | $ 0.573 | $ 0.654 |
| Non-Refinery Coke Fee | Short Ton | $ 0.169 | $ 0.193 |
| Hauling Coke from Intermediate Coke Storage Area to Fertilizer Plant Coke Storage Area | Truck Load | $ 24.77 | $ 28.26 |
| Slag Hauling Services | Truck Load | $ 10.32 | $ 11.78 |
| Coke Sweeping Services | | | |
| Daily Rate | Day | $ 688.00 | $ 721.71 |
| Additional Hours | Hour | $ 69.50 | $ 72.91 |
| Fluxant Mixing & Transporting | Short Ton | $ 16.98 | $ 17.81 |

Refer to Attached Worksheet for Additional Information

# AMENDMENT AGREEMENT

THIS AMENDMENT AGREEMENT (this "Amendment"), dated as of July 31, 2008, is made between J. Aron & Company, a general partnership organized under the laws of New York ("Supplier") and Coffeyville Resources Refining & Marketing, LLC, a limited liability company organized under the laws of Delaware ("Coffeyville").

Supplier and Coffeyville are parties to an Amended and Restated Crude Oil Supply Agreement dated as of December 31, 2007 (the "Supply Agreement"). Coffeyville and Supplier have agreed to amend certain terms and conditions of the Supply Agreement.

Accordingly, the Parties hereto agree as follows:

SECTION 1 Definitions; Interpretation.

(a) Terms Defined in Supply Agreement. All capitalized terms used in this Amendment (including in the recitals hereof) and not otherwise defined herein shall have the meanings assigned to them in the Supply Agreement.

(b) Interpretation. The rules of interpretation set forth in Section 1.2 of the Supply Agreement shall be applicable to this Amendment and are incorporated herein by this reference.

SECTION 2 Amendment to the Supply Agreement.

(a) Amendment. Upon the effectiveness of this Amendment, the Supply Agreement shall be amended:

(i) By deleting the last sentence of paragraph 2 of Schedule II to the Supply Agreement and inserting the following two sentences in place thereof:

If the aggregate quantity of Barrels blended during a calendar month exceeds the aggregate quantity of Barrels delivered to Coffeyville during that month (a "**Blending Excess**"), then an amount equal to the product of the Blending Excess and a per Barrel price (representing the quotient of the aggregate amount paid by Supplier for the aggregate quantity of blended Barrels for that month divided by such aggregate quantity) shall be subtracted in calculating the Monthly True-up Payment and such amount shall be the "**Blending Adjustment**" for such calendar month. If a Blending Adjustment has been subtracted from a Monthly True-up Payment for any calendar month, then such amount shall be added in calculating the Monthly True-up Payment for the following calendar month during which the barrels representing the Blending Excess are delivered.

(ii) By deleting Exhibit I to the Supply Agreement and inserting in its place a new Exhibit I in the form attached hereto.

(b) References Within Supply Agreement. Each reference in the Supply Agreement to "this Agreement" and the words "hereof," "herein," "hereunder," or words of like import, shall mean and be a reference to the Supply Agreement as amended by this Amendment.

SECTION 3 Representations and Warranties. To induce the other Party to enter into this Amendment, each Party hereby (i) confirms and restates, as of the date hereof, the representations and warranties made by it in Article 16 or any other article or section of the Supply Agreement and (ii) represents and warrants that no Event of Default or Potential Event of Default with respect to it has occurred and is continuing.

SECTION 4 Miscellaneous.

(a) Supply Agreement Otherwise Not Affected. Except for the amendments pursuant hereto, the Supply Agreement remains unchanged. As amended pursuant hereto, the Supply Agreement remains in full force and effect and is hereby ratified and confirmed in all respects. The execution and delivery of, or acceptance of, this Amendment and any other documents and instruments in connection herewith by either Party shall not be deemed to create a course of dealing or otherwise create any express or implied duty by it to provide any other or further amendments, consents or waivers in the future.

(b) No Reliance. Each Party hereby acknowledges and confirms that it is executing this Amendment on the basis of its own investigation and for its own reasons without reliance upon any agreement, representation, understanding or communication by or on behalf of any other Person.

(c) Costs and Expenses. Each Party shall be responsible for any costs and expenses incurred by such Party in connection with the negotiation, preparation, execution and delivery of this Amendment and any other documents to be delivered in connection herewith.

(d) Binding Effect. This Amendment shall be binding upon, inure to the benefit of and be enforceable by Coffeyville, Supplier and their respective successors and assigns.

(e) Governing Law. **THIS AMENDMENT SHALL BE GOVERNED BY, CONSTRUED AND ENFORCED UNDER THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ITS CONFLICTS OF LAW PRINCIPLES THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANOTHER STATE**.

(f) Amendments. This Amendment may not be modified, amended or otherwise altered except by written instrument executed by the Parties' duly authorized representatives.

(g) Effectiveness; Counterparts. This Amendment shall become effective on the date first written above. This Amendment may be executed in any number of counterparts and by different Parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

(h) Interpretation. This Amendment is the result of negotiations between and have been reviewed by counsel to each of the Parties, and is the product of all Parties hereto. Accordingly, this Amendment shall not be construed against either Party merely because of such Party’s involvement in the preparation hereof.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Amendment, as of the date first above written.

J. ARON & COMPANY

By: /s/ Colleen Foster
Name: Colleen Foster
Title: Managing Director

COFFEYVILLE RESOURCES REFINING & MARKETING, LLC

By: /s/ James T. Rens
Name: James T. Rens
Title: Chief Financial Officer and Treasurer

EXHIBIT I

**FLOW, PAYMENT AND INVOICE DATES**

| Flow Date | Invoice Date | Payment Date |
|---|---|---|
| Monday, December 31, 2007 | Monday, December 31, 2007 | Wednesday, January 02, 2008 |
| Tuesday, January 01, 2008 | Wednesday, January 02, 2008 | Thursday, January 03, 2008 |
| Wednesday, January 02, 2008 | Thursday, January 03, 2008 | Friday, January 04, 2008 |
| Thursday, January 03, 2008 | Thursday, January 03, 2008 | Friday, January 04, 2008 |
| Friday, January 04, 2008 | Friday, January 04, 2008 | Monday, January 07, 2008 |
| Saturday, January 05, 2008 | Friday, January 04, 2008 | Monday, January 07, 2008 |
| Sunday, January 06, 2008 | Monday, January 07, 2008 | Tuesday, January 08, 2008 |
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**CERTIFICATION**

I, John J. Lipinski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CVR Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ John J. Lipinski
John J. Lipinski
Chief Executive Officer

Date: August 14, 2008

**Exhibit 31.2**

**CERTIFICATION**

I, James T. Rens, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CVR Energy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ James T. Rens
James T. Rens
Chief Financial Officer

Date: August 14, 2008

**CERTIFICATION PURSUANT TO 18 U.S.C. §1350,**
**AS ADOPTED PURSUANT TO §906**
**OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the filing of the Quarterly Report on Form 10-Q of CVR Energy, Inc., a Delaware corporation (the "Company"), for the period ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

By: /s/ John J. Lipinski
John J. Lipinski
Chief Executive Officer

By: /s/ James T. Rens
James T. Rens
Chief Financial Officer

Date: August 14, 2008

## RISK FACTORS

*You should carefully consider each of the following risks together with the other information contained in this Report and all of the information set forth in our filings with the SEC. If any of the following risks and uncertainties develops into actual events, our business, financial condition or results of operations could be materially adversely affected.*

### Risks Related to Our Petroleum Business

***Volatile margins in the refining industry may cause volatility or a decline in our future results of operations and decrease our cash flow.***

Our petroleum business' financial results are primarily affected by the relationship, or margin, between refined product prices and the prices for crude oil and other feedstocks. Future volatility in refining industry margins may cause volatility or a decline in our results of operations, since the margin between refined product prices and feedstock prices may decrease below the amount needed for us to generate net cash flow sufficient for our needs. Although an increase or decrease in the price for crude oil generally results in a similar increase or decrease in prices for refined products, there is normally a time lag in the realization of the similar increase or decrease in prices for refined products. The effect of changes in crude oil prices on our results of operations therefore depends in part on how quickly and how fully refined product prices adjust to reflect these changes. A substantial or prolonged increase in crude oil prices without a corresponding increase in refined product prices, or a substantial or prolonged decrease in refined product prices without a corresponding decrease in crude oil prices, could have a significant negative impact on our earnings, results of operations and cash flows.

In 2008 we have experienced extremely high oil prices. There are a number of reasons why high crude oil costs and current crack spreads have a negative impact on our business. First, as crack spreads increase in absolute terms in connection with higher crude oil prices, we realize increasing losses on the Cash Flow Swap. We expect the Cash Flow Swap will continue to have a material negative effect on our earnings through at least June 2009. Second, every barrel of crude oil that we process yields approximately 88% high performance transportation fuels and approximately 12% less valuable byproducts such as pet coke, slurry and sulfur and volumetric losses (lost volume resulting from the change from liquid form to solid). Whereas crude oil costs have increased, sales prices for many byproducts have not increased in the same proportions, resulting in lower earnings. Refined product sales prices have also failed to keep pace with crude oil costs. High oil prices have had a material adverse effect on the profitability of oil refineries generally, including us. If oil prices remain at their current levels or move higher, our profitability will be materially adversely effected.

***If we are required to obtain our crude oil supply without the benefit of our credit intermediation agreement, our exposure to the risks associated with volatile crude prices may increase and our liquidity may be reduced.***

We currently obtain the majority of our crude oil supply through a crude oil credit intermediation agreement with J. Aron, which minimizes the amount of in transit inventory and mitigates crude pricing risks by ensuring pricing takes place extremely close to the time when the crude is refined and the yielded products are sold. In the event this agreement is terminated or is not renewed prior to expiration we may be unable to obtain similar services from another party at the same or better terms as our existing agreement. The current credit intermediation agreement expires on December 31, 2008 and will automatically extend for an additional one year term unless either party elects not to extend the agreement. Further, if we were required to obtain our crude oil supply without the benefit of an intermediation agreement, our exposure to crude pricing risks may increase, even despite any hedging activity in which we may engage, and our liquidity would be negatively impacted due to the increased inventory and the negative impact of market volatility.

***Our internally generated cash flows and other sources of liquidity may not be adequate for our capital needs.***

If we cannot generate adequate cash flow or otherwise secure sufficient liquidity to meet our working capital needs or support our short-term and long-term capital requirements, we may be unable to meet our debt obligations, pursue our business strategies or comply with certain environmental standards, which would have a material adverse effect on our business and results of operations. As of June 30, 2008, we had cash, cash equivalents and short-term investments of $20.6 million and $91.1 million available under our revolving credit facility. As of August 11, 2008, we had cash, cash equivalents and short-term investments of $44.5 million and up to $112.6 million available under our revolving credit facility. In the current crude oil price environment, working capital is subject to substantial variability from week-to-week and month-to-month.

We have substantial short-term and long-term capital needs. Our short-term working capital needs are primarily crude oil purchase requirements, which fluctuate with the pricing and sourcing of crude oil. In 2008 we have experienced extremely high oil prices which have substantially increased our short-term working capital needs. Our long-term capital needs include capital expenditures we are required to make to comply with Tier II gasoline standards, on-road diesel regulations, off-road diesel regulations and the Consent Decree. We also have significant short-term and long-term needs for cash, including deferred payments of $123.7 million plus accrued interest ($6.7 million as of August 1, 2008) that are owed under the Cash Flow Swap with J. Aron. We entered into a letter agreement with J. Aron on July 29, 2009 to defer to December 15, 2008 the payment of $87.5 million of the $123.7 million plus accrued interest we owe. The remaining $36.2 million plus accrued interest will be due on August 31, 2008 (or earlier at the company's option). If we consummate our proposed offering of convertible notes before December 15, 2008, the $87.5 million deferral will automatically extend to July 31, 2009. Our liquidity and earnings will be materially negatively impacted by the effects of the Cash Flow Swap through at least June 2009. We paid J. Aron $52.4 million on July 8, 2008 for crude oil we settled with respect to the quarter ending June 30, 2008 and expect to pay it additional amounts for crude oil we have settled or will settle with respect to the quarter ending September 30, 2008 on October 7, 2008. See "Risks Related to our Entire Business — Our commodity derivative activities have historically resulted and in the future could result in losses and in period-to-period earning volatility." In addition, we currently estimate that mandatory capital and turnaround expenditures, excluding the non-recurring capital expenditures required to comply with Tier II gasoline standards, on-road diesel regulations, off-road diesel regulations and the Consent Decree described above, will average approximately $48 million per year over

***Disruption of our ability to obtain an adequate supply of crude oil could reduce our liquidity and increase our costs.***

Our refinery requires approximately 85,000 to 100,000 bpd of crude oil in addition to the light sweet crude oil we gather locally in Kansas, northern Oklahoma and southwest Nebraska. We obtain a portion of our non-gathered crude oil, approximately 22% in 2007, from foreign sources such as Latin America, South America, the Middle East, West Africa, Canada and the North Sea. The actual amount of foreign crude oil we purchase is dependent on market conditions and will vary from year to year. We are subject to the political, geographic, and economic risks attendant to doing business with suppliers located in those regions. Disruption of production in any of such regions for any reason could have a material impact on other regions and our business. In the event that one or more of our traditional suppliers becomes unavailable to us, we may be unable to obtain an adequate supply of crude oil, or we may only be able to obtain our crude oil supply at unfavorable prices. As a result, we may experience a reduction in our liquidity and our results of operations could be materially adversely affected.

Severe weather, including hurricanes along the U.S. Gulf Coast, could interrupt our supply of crude oil. For example, the hurricane season in 2005 produced a record number of named storms, including hurricanes Katrina and Rita. The location and intensity of these storms caused extreme amounts of damage to both crude and natural gas production as well as extensive disruption to many U.S. Gulf Coast refinery operations, although we believe that substantially most of this refining capacity has been restored. These events caused both price spikes in the commodity markets as well as substantial increases in crack spreads in absolute terms. Supplies of crude oil to our refinery are periodically shipped from U.S. Gulf Coast production or terminal facilities, including through the Seaway Pipeline from the U.S. Gulf Coast to Cushing, Oklahoma. U.S. Gulf Coast facilities could be subject to damage or production interruption from hurricanes or other severe weather in the future which could interrupt or materially adversely affect our crude oil supply. If our supply of crude oil is interrupted, our business, financial condition and results of operations could be materially adversely impacted.

***Our profitability is partially linked to the light/heavy and sweet/sour crude oil price spreads. A decrease in either of the spreads would negatively impact our profitability.***

Our profitability is partially linked to the price spreads between light and heavy crude oil and sweet and sour crude oil within our plant capabilities. We prefer to refine heavier sour crude oils because they have historically provided wider refining margins than light sweet crude. Accordingly, any tightening of the light/heavy or sweet/sour spreads could reduce our profitability. The light/heavy and sweet/sour spread has declined in recent months, which has resulted, and in the future may continue to result, in a decline in profitability.

***The new and redesigned equipment in our facilities may not perform according to expectations, which may cause unexpected maintenance and downtime and could have a negative effect on our future results of operations and financial condition.***

During 2007 we upgraded all of the units in our refinery by installing new equipment and redesigning older equipment to improve refinery capacity. The installation and redesign of key equipment involves significant risks and uncertainties, including the following:

- our upgraded equipment may not perform at expected throughput levels;
- the yield and product quality of new equipment may differ from design; and
- redesign or modification of the equipment may be required to correct equipment that does not perform as expected, which could require facility shutdowns until the equipment has been redesigned or modified.

In the second half of 2007 we also repaired certain of our equipment as a result of the flood. This repaired equipment is subject to similar risks and uncertainties as described above. Any of these risks associated with new equipment, redesigned older equipment, or repaired equipment could lead to lower revenues or higher costs or otherwise have a negative impact on our future results of operations and financial condition.

***If our access to the pipelines on which we rely for the supply of our feedstock and the distribution of our products is interrupted, our inventory and costs may increase and we may be unable to efficiently distribute our products.***

If one of the pipelines on which we rely for supply of our crude oil becomes inoperative, we would be required to obtain crude oil for our refinery through an alternative pipeline or from additional tanker trucks, which could increase our costs and result in lower production levels and profitability. Similarly, if a major refined fuels pipeline becomes inoperative, we would be required to keep refined fuels in inventory or supply refined fuels to our customers through an alternative pipeline or by additional tanker trucks from the refinery, which could increase our costs and result in a decline in profitability.

***Our petroleum business' financial results are seasonal and generally lower in the first and fourth quarters of the year, which may cause volatility in the price of our common stock.***

Demand for gasoline products is generally higher during the summer months than during the winter months due to seasonal increases in highway traffic and road construction work. As a result, our results of operations for the first and fourth calendar quarters are generally lower than for those for the second and third quarters, which may cause volatility in the price of our common stock. Further, reduced agricultural work during the winter months somewhat depresses demand for diesel fuel in the winter months. In addition to the overall seasonality of our business, unseasonably cool weather in the summer months and/or unseasonably warm weather in the winter months in the markets in which we sell our petroleum products could have the effect of reducing demand for gasoline and diesel fuel which could result in lower prices and reduce operating margins.

***We face significant competition, both within and outside of our industry. Competitors who produce their own supply of feedstocks, have extensive retail outlets, make alternative fuels or have greater financial resources than we do may have a competitive advantage over us.***

The refining industry is highly competitive with respect to both feedstock supply and refined product markets. We may be unable to compete effectively with our competitors within and outside of our industry, which could result in reduced profitability. We compete with numerous other companies for available supplies of crude oil and other feedstocks and for outlets for our refined products. We are not engaged in the petroleum exploration and production business and therefore we do not produce any of our crude oil feedstocks. We do not have a retail business and therefore are dependent upon others for outlets for our refined products. We do not have any long-term arrangements for much of our output. Many of our competitors in the United States as a whole, and one of our regional competitors, obtain significant portions of their feedstocks from company-owned production and have extensive retail outlets. Competitors that have their own production or extensive retail outlets with brand-name recognition are at times able to offset losses from refining operations with profits from producing or retailing operations, and may be better positioned to withstand periods of depressed refining margins or feedstock shortages.

A number of our competitors also have materially greater financial and other resources than us, providing them the ability to add incremental capacity in environments of high crack spreads. These competitors have a greater ability to bear the economic risks inherent in all phases of the refining industry. An expansion or upgrade of our competitors' facilities, price volatility, international political and economic developments and other factors are likely to continue to play an important role in refining industry economics and may add additional competitive pressure on us.

In addition, we compete with other industries that provide alternative means to satisfy the energy and fuel requirements of our industrial, commercial and individual consumers. The more successful these alternatives become as a result of governmental regulations, technological advances, consumer demand, improved pricing or otherwise, the greater the impact on pricing and demand for our products and our profitability. There are presently significant governmental and consumer pressures to increase the use of alternative fuels in the United States.

***Environmental laws and regulations will require us to make substantial capital expenditures in the future.***

Current or future federal, state and local environmental laws and regulations could cause us to spend substantial amounts to install controls or make operational changes to comply with environmental requirements. In addition, future environmental laws and regulations, or new interpretations of existing laws or regulations, could limit our ability to market and sell our products to end users. Any such new interpretations or future environmental laws or governmental regulations could have a material impact on the results of our operations.

In March 2004, we entered into a Consent Decree with the United States Environmental Protection Agency, or the EPA, and the Kansas Department of Health and Environment, or the KDHE, to address certain allegations of Clean Air Act violations by Farmland at the Coffeyville oil refinery in order to address the alleged violations and eliminate liabilities going forward. The overall costs of complying with the Consent Decree over the next four years are expected to be approximately $41 million. To date, we have met the deadlines and requirements of the Consent Decree and we have not had to pay any stipulated penalties, which are required to be paid for failure to comply with various terms and conditions of the Consent Decree. Availability of equipment and technology performance, as well as EPA interpretations of provisions of the Consent Decree that differ from ours, could affect our ability to meet the requirements imposed by the Consent Decree and have a material adverse effect on our results of operations, financial condition and profitability.

We may agree to enter into a global settlement under EPA's National Petroleum Refining Initiative, or the NPRI. The 2004 Consent Decree addressed two of the four "marquee" issues under the NPRI. We may agree to enter into a new consent decree or amend the existing Consent Decree to incorporate the marquee issues that were not addressed in the 2004 consent decree. We do not believe that addressing the remaining marquee issues would have a material adverse effect on our results of operations, financial condition and profitability.

We will incur capital expenditures over the next several years in order to comply with regulations under the federal Clean Air Act establishing stringent low sulfur content specifications for our petroleum products, including the Tier II gasoline standards, as well as regulations with respect to on- and off-road diesel fuel, which are designed to reduce air emissions from the use of these products. In February 2004, the EPA granted us a "hardship waiver," which will require us to meet final low sulfur Tier II gasoline standards by January 1, 2011. In 2007, as a result of the flood, our refinery exceeded the average annual gasoline sulfur standard mandated by the hardship waiver. We are re-negotiating provisions of the hardship waiver and have agreed in principle to meet the final low sulfur Tier II gasoline sulfur standards by January 1, 2010 (one year earlier than required under the hardship waiver) in consideration for the EPA's agreement not to seek a penalty for the 2007 sulfur exceedance. Compliance with the Tier II gasoline standards and on-road diesel standards required us to spend approximately $133 million during 2006 and approximately $103 million during 2007, and we estimate that compliance will require us to spend approximately $70 million between 2008 and 2010. Changes in equipment or construction costs could require significantly greater expenditures.

***Changes in our credit profile may affect our relationship with our suppliers, which could have a material adverse effect on our liquidity.***

Changes in our credit profile may affect the way crude oil suppliers view our ability to make payments and may induce them to shorten the payment terms of their invoices. Given the large dollar amounts and volume of our feedstock purchases, a change in payment terms may have a material adverse effect on our liquidity and our ability to make payments to our suppliers.

## Risks Related to the Nitrogen Fertilizer Business

***Natural gas prices affect the price of the nitrogen fertilizers that the nitrogen fertilizer business sells. Any decline in natural gas prices could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.***

Because most nitrogen fertilizer manufacturers rely on natural gas as their primary feedstock, and the cost of natural gas is a large component (approximately 90% based on historical data) of the total production cost of nitrogen fertilizers for natural gas-based nitrogen fertilizer manufacturers, the price of nitrogen fertilizers has historically generally correlated with the price of natural gas. We are currently in a period of high natural gas prices, and the price at which the nitrogen fertilizer business is able to sell its nitrogen fertilizers is near historical highs. However, natural gas prices are cyclical and volatile and may decline at any time. The nitrogen fertilizer business does not hedge against declining natural gas prices. Any decline in natural gas prices could have a material adverse impact on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.

***The nitrogen fertilizer plant has high fixed costs. If nitrogen fertilizer product prices fall below a certain level, which could be caused by a reduction in the price of natural gas, the nitrogen fertilizer business may not generate sufficient revenue to operate profitably or cover its costs.***

The nitrogen fertilizer plant has high fixed costs as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Major Influences on Results of Operations — Nitrogen Fertilizer Business." As a result, downtime or low productivity due to reduced demand, interruptions because of adverse weather conditions, equipment failures, low prices for nitrogen fertilizer or other causes can result in significant operating losses. Unlike its competitors, whose primary costs are related to the purchase of natural gas and whose fixed costs are minimal, the nitrogen fertilizer business has high fixed costs not dependent on the price of natural gas. We have no control over natural gas prices, which can be highly volatile. A decline in natural gas prices generally has the effect of reducing the base sale price for nitrogen fertilizer products in the market generally while the nitrogen fertilizer business' fixed costs will remain substantially unchanged by the decline in natural gas prices. Any decline in the price of nitrogen fertilizer products could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.

***The demand for and pricing of nitrogen fertilizers have increased dramatically in recent years. The nitrogen fertilizer business is cyclical and volatile and historically, periods of high demand and pricing have been followed by periods of declining prices and declining capacity utilization. Such cycles expose us to potentially significant fluctuations in our financial condition, cash flows and results of operations, which could result in volatility in the price of our common stock, or an inability of the nitrogen fertilizer business to make quarterly distributions.***

A significant portion of nitrogen fertilizer product sales consists of sales of agricultural commodity products, exposing us to fluctuations in supply and demand in the agricultural industry. These fluctuations historically have had and could in the future have significant effects on prices across all nitrogen fertilizer products and, in turn, the nitrogen fertilizer business' financial condition, cash flows and results of operations, which could result in significant volatility in the price of our common stock, or an inability of the nitrogen fertilizer business to make distributions to us. Nitrogen fertilizer products are commodities, the price of which can be volatile. The prices of nitrogen fertilizer products depend on a number of factors, including general economic conditions, cyclical trends in end-user markets, supply and demand imbalances, and weather conditions, which have a greater relevance because of the seasonal nature of fertilizer application. If seasonal demand exceeds the projections of the nitrogen fertilizer business, its customers may acquire nitrogen fertilizer from its competitors, and the profitability of the nitrogen fertilizer business will be negatively impacted. If seasonal demand is less than expected, the nitrogen fertilizer business will be left with excess inventory that will have to be stored or liquidated.

Demand for fertilizer products is dependent, in part, on demand for crop nutrients by the global agricultural industry. Nitrogen-based fertilizers are currently in high demand, driven by a growing world population, changes in dietary habits and an expanded use of corn for the production of ethanol. Supply is affected by available capacity and operating rates, raw material costs, government policies and global trade. The prices for nitrogen fertilizers are currently extremely high. Nitrogen fertilizer prices may not remain at current levels and could fall, perhaps materially. A decrease in nitrogen fertilizer prices would have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.

***Nitrogen fertilizer products are global commodities, and the nitrogen fertilizer business faces intense competition from other nitrogen fertilizer producers.***

The nitrogen fertilizer business is subject to intense price competition from both U.S. and foreign sources, including competitors operating in the Persian Gulf, the Asia-Pacific region, the Caribbean, Russia and Ukraine. Nitrogen fertilizer products are global commodities, with little or no product differentiation, and customers make their purchasing decisions principally on the basis of delivered price and availability of the product. The nitrogen fertilizer business competes with a number of U.S. producers and producers in other countries, including state-owned and government-subsidized entities. The United States and the European Union each have trade regulatory measures in effect that are designed to address this type of unfair trade, but there is no guarantee that such trade regulatory measures will continue. Changes in these measures could have a material adverse impact on the sales and profitability of the particular products involved. Some competitors have greater total resources and are less dependent on earnings from fertilizer sales, which makes them less vulnerable to industry downturns and better positioned to pursue new expansion and development opportunities. In addition, recent consolidation in the fertilizer industry has increased the resources of several competitors. In light of this industry consolidation, our competitive position could suffer to the extent the nitrogen fertilizer business is not able to expand its own resources either through investments in new or existing operations or through acquisitions, joint ventures or partnerships. In addition, if natural gas prices in the United States were to decline to a level that prompts those U.S. producers who have previously closed production facilities to resume fertilizer production, this would likely contribute to a global supply/demand imbalance that could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions. An inability to compete successfully could result in the loss of customers, which could adversely affect our sales and profitability.

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

Sales of nitrogen fertilizer products by the nitrogen fertilizer business to agricultural customers are concentrated in the Great Plains and Midwest states and are seasonal in nature. For example, the nitrogen fertilizer business generates greater net sales and operating income in the spring. Accordingly, an adverse weather pattern affecting agriculture in these regions or during this season including flooding could have a negative effect on fertilizer demand, which could, in turn, result in a material decline in our net sales and margins and otherwise have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions. Our quarterly results may vary significantly from one year to the next due primarily to weather-related shifts in planting schedules and purchase patterns.

***The nitrogen fertilizer business' results of operations, financial condition and ability to make cash distributions may be adversely affected by the supply and price levels of pet coke and other essential raw materials.***

Pet coke is a key raw material used by the nitrogen fertilizer business in the manufacture of nitrogen fertilizer products. Increases in the price of pet coke could have a material adverse effect on the nitrogen fertilizer business' results of operations, financial condition and ability to make cash distributions. Moreover, if pet coke prices increase the nitrogen fertilizer business may not be able to increase its prices to recover increased pet coke costs, because market prices for the nitrogen fertilizer business' nitrogen fertilizer products are generally correlated with natural gas prices, the primary raw material used by competitors of the nitrogen fertilizer business, and not pet coke prices. Based on the nitrogen fertilizer business' current output, the nitrogen fertilizer business obtains most (over 75% on average during the last four years) of the pet coke it needs from our adjacent oil refinery, and procures the remainder on the open market. The nitrogen fertilizer business' competitors are not subject to changes in pet coke prices. The nitrogen fertilizer business is sensitive to fluctuations in the price of pet coke on the open market. Pet coke prices could significantly increase in the future. The nitrogen fertilizer business might also be unable to find alternative suppliers to make up for any reduction in the amount of pet coke it obtains from our oil refinery.

The nitrogen fertilizer business may not be able to maintain an adequate supply of pet coke and other essential raw materials. In addition, the nitrogen fertilizer business could experience production delays or cost increases if alternative sources of supply prove to be more expensive or difficult to obtain. If raw material costs were to increase, or if the nitrogen fertilizer plant were to experience an extended interruption in the supply of raw materials, including pet coke, to its production facilities, the nitrogen fertilizer business could lose sale opportunities, damage its relationships with or lose customers, suffer lower margins, and experience other material adverse effects to its results of operations, financial condition and ability to make cash distributions.

***The nitrogen fertilizer business relies on an air separation plant owned by The Linde Group to provide oxygen, nitrogen and compressed dry air to its gasifier. A deterioration in the financial condition of The Linde Group, or a mechanical problem with the air separation plant, could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.***

The nitrogen fertilizer business relies on an air separation plant owned by The Linde Group, or Linde, to provide oxygen, nitrogen and compressed dry air to its gasifier. The nitrogen fertilizer business' operations could be adversely affected if there were a deterioration in Linde's financial condition such that the operation of the air separation plant were disrupted. Additionally, this air separation plant in the past has experienced numerous momentary interruptions, thereby causing interruptions in the nitrogen fertilizer business' gasifier operations. The nitrogen fertilizer business requires a reliable supply of oxygen, nitrogen and compressed dry air. A disruption of its supply could prevent it from producing its products at current levels and could have a material adverse effect on our results of operations, financial condition and ability of the nitrogen fertilizer business to make cash distributions.

***Ammonia can be very volatile and dangerous. Any liability for accidents involving ammonia that cause severe damage to property and/or injury to the environment and human health could have a material adverse effect on our results of operations, financial***

***condition and the ability of the nitrogen fertilizer business to make cash distributions. In addition, the costs of transporting ammonia could increase significantly in the future.***

The nitrogen fertilizer business manufactures, processes, stores, handles, distributes and transports ammonia, which can be very volatile and dangerous. Accidents, releases or mishandling involving ammonia could cause severe damage or injury to property, the environment and human health, as well as a possible disruption of supplies and markets. Such an event could result in lawsuits, fines, penalties and regulatory enforcement proceedings, all of which could lead to significant liabilities. Any damage to persons, equipment or property or other disruption of the ability of the nitrogen fertilizer business to produce or distribute its products could result in a significant decrease in operating revenues and significant additional cost to replace or repair and insure its assets, which could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions. The nitrogen fertilizer business experienced an ammonia release most recently in August 2007.

In addition, the nitrogen fertilizer business may incur significant losses or costs relating to the operation of railcars used for the purpose of carrying various products, including ammonia. Due to the dangerous and potentially toxic nature of the cargo, in particular ammonia, a railcar accident may have catastrophic results, including fires, explosions and pollution. These circumstances may result in severe damage and/or injury to property, the environment and human health. In the event of pollution, the nitrogen fertilizer business may be strictly liable. If the nitrogen fertilizer business is strictly liable, it could be held responsible even if it is not at fault and complied with the laws and regulations in effect at the time of the accident. Litigation arising from accidents involving ammonia may result in the Partnership or us being named as a defendant in lawsuits asserting claims for large amounts of damages, which could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.

Given the risks inherent in transporting ammonia, the costs of transporting ammonia could increase significantly in the future. Ammonia is typically transported by railcar. A number of initiatives are underway in the railroad and chemical industries that may result in changes to railcar design in order to minimize railway accidents involving hazardous materials. If any such design changes are implemented, or if accidents involving hazardous freight increases the insurance and other costs of railcars, freight costs of the nitrogen fertilizer business could significantly increase.

***The nitrogen fertilizer business' operations are dependent on a limited number of third-party suppliers. Failure by key suppliers of oxygen, nitrogen and electricity to perform in accordance with their contractual obligations may have a negative effect upon our results of operations and financial condition and the ability of the nitrogen fertilizer business to make cash distributions.***

The nitrogen fertilizer operations depend in large part on the performance of third-party suppliers, including Linde for the supply of oxygen and nitrogen and the city of Coffeyville for the supply of electricity. The contract with Linde extends through 2020 and the electricity contract extends through 2019. Should these suppliers fail to perform in accordance with the existing contractual arrangements, the nitrogen fertilizer business' operations would be forced to a halt. Alternative sources of supply of oxygen, nitrogen or electricity could be difficult to obtain. Any shutdown of operations at the nitrogen fertilizer business even for a limited period could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.

***The nitrogen fertilizer business relies on third party providers of transportation services and equipment, which subjects us to risks and uncertainties beyond our control that may have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.***

The nitrogen fertilizer business relies on railroad and trucking companies to ship nitrogen fertilizer products to its customers. The nitrogen fertilizer business also leases rail cars from rail car owners in order to ship its products. These transportation operations, equipment, and services are subject to various hazards, including extreme weather conditions, work stoppages, delays, spills, derailments and other accidents and other operating hazards.

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

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

***Environmental laws and regulations on fertilizer end-use and application could have a material adverse impact on fertilizer demand in the future.***

Future environmental laws and regulations on the end-use and application of fertilizers could cause changes in demand for the nitrogen fertilizer business' products. In addition, future environmental laws and regulations, or new interpretations of existing laws or regulations, could limit the ability of the nitrogen fertilizer business to market and sell its products to end users. From time to time, various state legislatures have proposed bans or other limitations on fertilizer products. Any such future laws, regulations or interpretations could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.

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

A major factor underlying the current high level of demand for nitrogen-based fertilizer products is the expanding production of ethanol in the United States and the expanded use of corn in ethanol production. Ethanol production in the United States is highly dependent upon a myriad of federal and state legislation and regulations, and is made significantly more competitive by various federal and state incentives. Such incentive programs may not be renewed, or if renewed, they may be renewed on terms significantly less favorable to ethanol producers than current incentive programs. Recent studies showing that expanded ethanol production may increase the level of greenhouse gases in the environment may reduce political support for ethanol production. The elimination or significant reduction in ethanol incentive programs could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.

Imported ethanol is generally subject to a \$0.54 per gallon tariff and a 2.5% ad valorem tax. This tariff is set to expire on December 31, 2008. This tariff may not be renewed, or if renewed, it may be renewed on terms significantly less favorable for domestic ethanol production than current incentive programs. We do not know the extent to which the volume of imports would increase or the effect on U.S. prices for ethanol if the tariff is not renewed beyond its current expiration. The elimination of tariffs on imported ethanol may negatively impact the demand for domestic ethanol, which could lower U.S. corn and other grain production and thereby have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.

Most ethanol is currently produced from corn and other raw grains, such as milo or sorghum — especially in the Midwest. The current trend in ethanol production research is to develop an efficient method of producing ethanol from cellulose-based biomass, such as agricultural waste, forest residue, municipal solid waste and energy crops (plants grown for use to make biofuels or directly exploited for the energy content). This trend is driven by the fact that cellulose-based biomass is generally cheaper than corn, and producing ethanol from cellulose-based biomass would create opportunities to produce ethanol in areas that are unable to grow corn. Although current technology is not sufficiently efficient to be competitive, new conversion technologies may be developed in the future. If an efficient method of producing ethanol from cellulose-based biomass is developed, the demand for corn may decrease, which could reduce demand for the nitrogen fertilizer business' products, which could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.

***If global transportation costs decline, the nitrogen fertilizer business' competitors may be able to sell their products at a lower price, which would have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.***

Many of the nitrogen fertilizer business' competitors produce fertilizer outside of the U.S. farm belt region and incur costs in transporting their products to this region via ships and pipelines. There can be no assurance that competitors' transportation costs will not decline or that additional pipelines will not be built, lowering the price at which the nitrogen fertilizer business' competitors can sell their products, which would have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.

**Risks Related to Our Entire Business**

***Our refinery and nitrogen fertilizer facilities face operating hazards and interruptions, including unscheduled maintenance or downtime. We could face potentially significant costs to the extent these hazards or interruptions are not fully covered by our existing insurance coverage. Insurance companies that currently insure companies in the energy industry may cease to do so or may substantially increase premiums in the future.***

Our operations, located primarily in a single location, are subject to significant operating hazards and interruptions. If any of our facilities, including our refinery and the nitrogen fertilizer plant, experiences a major accident or fire, is damaged by severe weather, flooding or other natural disaster, or is otherwise forced to curtail its operations or shut down, we could incur significant losses which could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions. In addition, a major accident, fire, flood, crude oil discharge or other event could damage our facilities or the environment and the surrounding community or result in injuries or loss of life. For example, the flood that occurred during the weekend of June 30, 2007 shut down our refinery for seven weeks, shut down the nitrogen fertilizer facility for approximately two weeks and required significant expenditures to repair damaged equipment.

If our facilities experience a major accident or fire or other event or an interruption in supply or operations, our business could be materially adversely affected if the damage or liability exceeds the amounts of business interruption, property, terrorism and other insurance that we benefit from or maintain against these risks and successfully collect. As required under our existing credit facility, we maintain property and business interruption insurance capped at $1.0 billion which is subject to various deductibles and sub-limits for particular types of coverage (e.g., $200 million for a loss caused by flood). In the event of a business interruption, we would not be entitled to recover our losses until the interruption exceeds 45 days in the aggregate. We are fully exposed to losses in excess of this dollar cap and the various sub-limits, or business interruption losses that occur in the 45 days of our deductible period. These losses may be material. For example, a substantial portion of our lost revenue caused by the business interruption following the flood that occurred during the weekend of June 30, 2007 cannot be claimed because it was lost within 45 days of the start of the flood.

If our refinery is forced to curtail its operations or shut down due to hazards or interruptions like those described above, we will still be obligated to make any required payments to J. Aron under certain swap agreements we entered into in June 2005 (as amended, the “Cash Flow Swap”). We will be required to make payments under the Cash Flow Swap if crack spreads in absolute terms rise above a certain level. Such payments could have a material adverse impact on our financial results if, as a result of a disruption to our operations, we are unable to sustain sufficient revenues from which we can make such payments.

The energy industry is highly capital intensive, and the entire or partial loss of individual facilities can result in significant costs to both industry participants, such as us, and their insurance carriers. In recent years, several large energy industry claims have resulted in significant increases in the level of premium costs and deductible periods for participants in the energy industry. For example, during 2005, Hurricanes Katrina and Rita caused significant damage to several petroleum refineries along the U.S. Gulf Coast, in addition to numerous oil and gas production facilities and pipelines in that region. As a result of large energy industry claims, insurance companies that have historically participated in underwriting energy related facilities could discontinue that practice, or demand significantly higher premiums or deductibles to cover these facilities. Although we currently maintain significant amounts of insurance, insurance policies are subject to annual renewal. If significant changes in the number or financial solvency of insurance underwriters for the energy industry occur, we may be unable to obtain and maintain adequate insurance at a reasonable cost or we might need to significantly increase our retained exposures.

Our refinery consists of a number of processing units, many of which have been in operation for a number of years. One or more of the units may require unscheduled down time for unanticipated maintenance or repairs on a more frequent basis than our scheduled turnaround of every three to four years for each unit, or our planned turnarounds may last longer than anticipated. The nitrogen fertilizer plant, or individual units within the plant, will require scheduled or unscheduled downtime for maintenance or repairs. In general, the nitrogen fertilizer facility requires scheduled turnaround maintenance every two years and the next scheduled turnaround is currently expected to occur in the fourth quarter of 2008. Scheduled and unscheduled maintenance could reduce net income and cash flow during the period of time that any of our units is not operating.

***Our commodity derivative activities have historically resulted and in the future could result in losses and in period-to-period earnings volatility.***

The nature of our operations results in exposure to fluctuations in commodity prices. If we do not effectively manage our derivative activities, we could incur significant losses. We monitor our exposure and, when appropriate, utilize derivative financial instruments and physical delivery contracts to mitigate the potential impact from changes in commodity prices. If commodity prices change from levels specified in our various derivative agreements, a fixed price contract or an option price structure could limit us from receiving the full benefit of commodity price changes. In addition, by entering into these derivative activities, we may suffer financial loss if we do not produce oil to fulfill our obligations. In the event we are required to pay a margin call on a derivative contract, we may be unable to benefit fully from an increase in the value of the commodities we sell. In addition, we may be required to make a margin payment before we are able to realize a gain on a sale resulting in a reduction in cash flow, particularly if prices decline by the time we are able to sell.

In June 2005, Coffeyville Acquisition LLC entered into the Cash Flow Swap, which is not subject to margin calls, in the form of three swap agreements with J. Aron for the period from July 1, 2005 to June 30, 2010. These agreements were subsequently assigned from Coffeyville Acquisition LLC to Coffeyville Resources, LLC on June 24, 2005. Based on crude oil capacity of 115,000 bpd, the Cash Flow Swap represents approximately 58% and 14% of crude oil capacity for the periods July 1, 2008 through June 30, 2009 and July 1, 2009 through June 30, 2010, respectively. Under the terms of our credit facility and upon meeting specific requirements related to our leverage ratio and our credit ratings, we may reduce the Cash Flow Swap to 35,000 bpd, or approximately 30% of expected crude oil capacity, for the period from April 1, 2008 through December 31, 2008 and terminate the Cash Flow Swap in 2009 and 2010, at which time the unrealized loss will become a fixed obligation. Otherwise, under the terms of our credit facility, management has limited discretion to change the amount of hedged volumes under the Cash Flow Swap therefore affecting our exposure to market volatility. The current environment of high and rising crude oil prices has led to higher crack spreads in absolute terms but significantly narrower crack spreads as a percentage of crude oil prices. As a result, the Cash Flow Swap, under which payments are calculated based on crack spreads in absolute terms, has had and will continue to have a material negative impact on our earnings. In addition, because this derivative is based on NYMEX prices while our revenue is based on prices in the Coffeyville supply area, the contracts do not eliminate risk of price volatility. If the price of products on NYMEX is different from the value contracted in the swap, then we will receive from or owe to the counterparty the difference on each unit of product that is contracted in the swap. We have substantial payment obligations to J. Aron in respect of the Cash Flow Swap. See " — Risks Related to Our Petroleum Business — Our internally generated cash flows and other sources of liquidity may not be adequate for our capital needs above."

In addition, as a result of the accounting treatment of these contracts, unrealized gains and losses are charged to our earnings based on the increase or decrease in the market value of the unsettled position and the inclusion of such derivative gains or losses in earnings may produce significant period-to-period earnings volatility that is not necessarily reflective of our underlying operating performance. The positions under the Cash Flow Swap resulted in unrealized gains (losses) of $126.8 million, $(103.2) million and $(29.9) million for the years ended December 31, 2006 and 2007 and the six months ended June 30, 2008, respectively. The positions under the Cash Flow Swap had a significant negative impact on our earnings in 2007 and are expected to continue to do so in 2008. As of June 30, 2008, a $1.00 change in quoted prices for the absolute crack spreads utilized in the Cash Flow Swap would result in a $30.1 million change to the fair value of derivative commodity position and the same change to net income.

***We may not recover all of the costs we have incurred in connection with the flood and crude oil discharge that occurred at our refinery in June/July 2007.***

*We have incurred significant costs with respect to facility repairs, environmental remediation and property damage claims.*

During the weekend of June 30, 2007, torrential rains in southeast Kansas caused the Verdigris River to overflow its banks and flood the town of Coffeyville, Kansas. Our refinery and nitrogen fertilizer plant, which are located in close proximity to the Verdigris River, were severely flooded, sustained major damage and required extensive repairs. Total gross costs incurred and recorded as of June 30, 2008 related to the third party costs to repair the refinery and fertilizer facilities were approximately $76.9 million and $4.3 million, respectively. Additionally, other corporate overhead and miscellaneous costs incurred and recorded in connection with the flood as of June 30, 2008 were approximately $21.1 million. In addition to the cost of repairing the facilities, we experienced a significant revenue loss attributable to the property damage during the period when the facilities were not in operation.

Despite our efforts to secure the refinery prior to its evacuation as a result of the flood, we estimate that 1,919 barrels (80,600 gallons) of crude oil and 226 barrels of crude oil fractions were discharged from our refinery into the Verdigris River flood waters beginning on or about July 1, 2007. We have substantially completed remediation of the contamination caused by the crude oil discharge by July 2008 and expect any remaining minor remedial actions to be completed by December 31, 2008. As of June 30, 2008, the total gross costs recorded associated with remediation and third party property damage as of the result of the crude oil discharge for obligations approximated $52.3 million.

As of June 30, 2008, we have recorded total gross costs associated with the repair of, and other matters relating to the damage to our facilities and with third party and property damage remediation incurred due to the crude oil discharge of approximately $153.6 million. Total anticipated insurance recoveries of approximately $102.4 million have been recorded as of June 30, 2008 (of which $21.5 million had already been received from insurance carriers by us as of that date), resulting in a net cost of approximately $51.2 million. In addition, we received $13.0 million from our insurance carriers in July 2008. We have not estimated any potential fines, penalties or claims that may be imposed or brought by regulatory authorities or possible additional damages arising from lawsuits related to the flood.

*The ultimate cost of environmental remediation and third party property damage is difficult to assess and could be higher than our current estimates.*

It is difficult to estimate the ultimate cost of environmental remediation resulting from the crude oil discharge or the cost of third party property damage that we will ultimately be required to pay. The costs and damages that we ultimately pay may be greater than the estimated amounts currently described in our filings with the Securities and Exchange Commission (the “SEC”). Such excess costs and damages could be material.

*We do not know which of our losses our insurers will ultimately cover or when we will receive any insurance recovery.*

During the time of the 2007 flood and crude oil discharge, Coffeyville Resources, LLC was covered by both property/business interruption and liability insurance policies. We are in the process of submitting claims to, responding to information requests from, and negotiating with various insurers with respect to costs and damages related to these incidents. However, we do not know which of our losses, if any, the insurers will ultimately cover or when we will receive any recovery. We filed two lawsuits against certain of our insurance carriers on July 10, 2008 relating to disagreements regarding the amounts we are entitled to recover for flood-related property and environmental damage. We may not be able to recover all of the costs we have incurred and losses we have suffered in connection with the 2007 flood and crude oil discharge. Further, we likely will not be able to recover most of the business interruption losses we incurred since a substantial portion of our facilities were operational within 45 days of the start of the flood, and our coverage for business interruption losses applies only if the facilities were not operational for 45 days or more.

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

Our operations are subject to a variety of federal, state and local environmental laws and regulations relating to the protection of the environment, including those governing the emission or discharge of pollutants into the environment, product specifications and the generation, treatment, storage, transportation, disposal and remediation of solid and hazardous waste and materials. Environmental laws and regulations that affect our operations and processes and the margins for our refined products are extensive and have become progressively more stringent. Violations of these laws and regulations or permit conditions can result in substantial penalties, injunctive relief requirements compelling installation of additional controls, civil and criminal sanctions, permit revocations and/or facility shutdowns.

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

Our business is inherently subject to accidental spills, discharges or other releases of petroleum or hazardous substances into the environment and neighboring areas. Past or future spills related to any of our operations, including our refinery, pipelines, product terminals, fertilizer plant or transportation of products or hazardous substances from those facilities, may give rise to liability (including strict liability, or liability without fault, and potential cleanup responsibility) to governmental entities or private parties under federal, state or local environmental laws, as well as under common law. For example, we could be held strictly liable under the Comprehensive Environmental Responsibility, Compensation and Liability Act, or CERCLA, for past or future spills without regard to fault or whether our actions were in compliance with the law at the time of the spills. Pursuant to CERCLA and similar state statutes, we could be held liable for contamination associated with facilities we currently own or operate, facilities we formerly owned or operated and facilities to which we transported or arranged for the transportation of wastes or by-products containing hazardous substances for treatment, storage, or disposal. In addition, we face liability for alleged personal injury or property damage due to exposure to chemicals or other hazardous substances located at or released from our facilities. We may also face liability for personal injury, property damage, natural resource damage or for cleanup costs for the alleged migration of contamination or other hazardous substances from our facilities to adjacent and other nearby properties.

Two of our facilities, including our Coffeyville oil refinery and the Phillipsburg terminal (which operated as a refinery until 1991), have environmental contamination. We have assumed Farmland's responsibilities under certain Resource Conservation and Recovery Act, or RCRA, corrective action orders related to contamination at or that originated from the refinery (which includes portions of the nitrogen fertilizer plant) and the Phillipsburg terminal. If significant unknown liabilities that have been undetected to date by our extensive soil and groundwater investigation and sampling programs arise in the areas where we have assumed liability for the corrective action, that liability could have a material adverse effect on our results of operations and financial condition and may not be covered by insurance.

For a discussion of environmental risks and impacts related to the 2007 flood and crude oil discharge, see "— We may not recover all of the costs we have incurred in connection with the flood and crude oil discharge that occurred at our refinery in June/July 2007."

***$CO_2$ and other greenhouse gas emissions may be the subject of federal or state legislation or regulated in the future by the EPA as an air pollutant, requiring us to obtain additional permits, install additional controls, or purchase credits to reduce greenhouse gas emissions which could adversely affect our financial performance.***

The United States Congress has considered various proposals to reduce greenhouse gas emissions, but none have become law, and presently, there are no federal mandatory greenhouse gas emissions requirements. While it is probable that Congress will adopt some form of federal mandatory greenhouse gas emission reductions legislation in the future, the timing and specific requirements of any such legislation are uncertain at this time. In the absence of existing federal regulations, a number of states have adopted regional greenhouse gas initiatives to reduce $CO_2$ and other greenhouse gas emissions. In 2007, a group of Midwest states, including Kansas (where our refinery and the nitrogen fertilizer facility are located) formed the Midwestern Greenhouse Gas Accord, which calls for the development of a cap-and-trade system to control greenhouse gas emissions and for the inventory of such emissions. However, the individual states that have signed on to the accord must adopt laws or regulations implementing the trading scheme before it becomes effective, and the timing and specific requirements of any such laws or regulations in Kansas are uncertain at this time.

In 2007, the U.S. Supreme Court decided that $CO_2$ is an air pollutant under the federal Clean Air Act for the purposes of vehicle emissions. Similar lawsuits have been filed seeking to require the EPA to regulate $CO_2$ emissions from stationary sources, such as our refinery and the fertilizer plant, under the federal Clean Air Act. Our refinery and the nitrogen fertilizer plant produce significant amounts of $CO_2$ that are vented into the atmosphere. If the EPA regulates $CO_2$ emissions from facilities such as ours, we may have to apply for additional permits, install additional controls to reduce $CO_2$ emissions or take other as yet unknown steps to comply with these potential regulations. For example, we may have to purchase $CO_2$ emission reduction credits to reduce our current emissions of $CO_2$ or to offset increases in $CO_2$ emissions associated with expansions of our operations.

Compliance with any future legislation or regulation of greenhouse gas emissions, if it occurs, may have a material adverse effect on our results of operations, financial condition and profitability.

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

We are subject to the requirements of the Occupational Safety and Health Administration, or OSHA, and comparable state statutes that regulate the protection of the health and safety of workers. In addition, OSHA requires that we maintain information about hazardous materials used or produced in our operations and that we provide this information to employees, state and local governmental authorities, and local residents. Failure to comply with OSHA requirements, including general industry standards, process safety standards and control of occupational exposure to regulated substances, could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions if we are subjected to significant fines or compliance costs.

***We have a limited operating history as a stand-alone company.***

Our limited historical financial performance as a stand-alone company makes it difficult for you to evaluate our business and results of operations to date and to assess our future prospects and viability. We have been operating during a recent period of significant volatility in the refined products industry, and recent growth in the profitability of the nitrogen fertilizer products industry may not continue or could reverse. As a result, our results of operations may be lower than we currently expect and the price of our common stock may be volatile.

***Because we have transferred our nitrogen fertilizer business to a newly formed limited partnership, we may be required in the future to share increasing portions of the cash flows of the nitrogen fertilizer business with third parties and we may in the future***

***be required to deconsolidate the nitrogen fertilizer business from our consolidated financial statements.***

In connection with our initial public offering in October 2007, we transferred our nitrogen fertilizer business to a newly formed limited partnership, whose managing general partner is a new entity owned by our controlling stockholders and senior management. Although we currently consolidate the Partnership in our financial statements, over time an increasing portion of the cash flow of the nitrogen fertilizer business will be distributed to our managing general partner if the Partnership increases its quarterly distributions above specified target distribution levels. In addition, if in the future the Partnership elects to pursue a public or private offering of limited partner interests to third parties, the new limited partners will also be entitled to receive cash distributions from the Partnership. This may require us to deconsolidate. Our historical financial statements do not reflect the new limited partnership structure prior to October 24, 2007 or any non-controlling interest that may be issued to the public in connection with a future initial offering of the Partnership and therefore our past financial performance may not be an accurate indicator of future performance.

***Both the petroleum and nitrogen fertilizer businesses depend on significant customers, and the loss of one or several significant customers may have a material adverse impact on our results of operations and financial condition.***

The petroleum and nitrogen fertilizer businesses both have a high concentration of customers. Our four largest customers in the petroleum business represented 44.4%, 36.8% and 41.7% of our petroleum sales for the years ended December 31, 2006 and 2007 and the six months ended June 30, 2008, respectively. Further, in the aggregate, the top five ammonia customers of the nitrogen fertilizer business represented 51.9%, 62.1% and 69.9% of its ammonia sales for the years ended December 31, 2006 and 2007 and the six months ended June 30, 2008, respectively, and the top five UAN customers of the nitrogen fertilizer business represented 30.0%, 38.7% and 39.9% of its UAN sales, respectively, for the same periods. Several significant petroleum, ammonia and UAN customers each account for more than 10% of sales of petroleum, ammonia and UAN, respectively. Given the nature of our business, and consistent with industry practice, we do not have long-term minimum purchase contracts with any of our customers. The loss of one or several of these significant customers, or a significant reduction in purchase volume by any of them, could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.

***The petroleum and nitrogen fertilizer businesses may not be able to successfully implement their business strategies, which include completion of significant capital programs.***

One of the business strategies of the petroleum and nitrogen fertilizer businesses is to implement a number of capital expenditure projects designed to increase productivity, efficiency and profitability. Many factors may prevent or hinder implementation of some or all of these projects, including compliance with or liability under environmental regulations, a downturn in refining margins, technical or mechanical problems, lack of availability of capital and other factors. Costs and delays have increased significantly during the past few years and the large number of capital projects underway in the industry has led to shortages in skilled craftsmen, engineering services and equipment manufacturing. Failure to successfully implement these profit-enhancing strategies may materially adversely affect our business prospects and competitive position. In addition, we expect to execute turnarounds at our refinery every three to four years, which involve numerous risks and uncertainties. These risks include delays and incurrence of additional and unforeseen costs. The next scheduled refinery turnaround will be in 2010. In addition, development and implementation of business strategies for the Partnership will be primarily the responsibility of the managing general partner of the Partnership. The next scheduled turnaround of the nitrogen fertilizer facility is currently expected to occur in the fourth quarter of 2008.

***The acquisition strategy of our petroleum business and the nitrogen fertilizer business involves significant risks.***

Both our petroleum business and the nitrogen fertilizer business will consider pursuing acquisitions and expansion projects in order to continue to grow and increase profitability. However, acquisitions and expansions involve numerous risks and uncertainties, including intense competition for suitable acquisition targets; the potential unavailability of financial resources necessary to consummate acquisitions and expansions; difficulties in identifying suitable acquisition targets and expansion projects or in completing any transactions identified on sufficiently favorable terms; and the need to obtain regulatory or other governmental approvals that may be necessary to complete acquisitions and expansions. In addition, any future acquisitions may entail significant transaction costs and risks associated with entry into new markets and lines of business. In addition, even when acquisitions are completed, integration of acquired entities can involve significant difficulties, such as:

- unforeseen difficulties in the acquired operations and disruption of the ongoing operations of our petroleum business and the nitrogen fertilizer business;
- failure to achieve cost savings or other financial or operating objectives with respect to an acquisition;
- strain on the operational and managerial controls and procedures of our petroleum business and the nitrogen fertilizer business, and the need to modify systems or to add management resources;
- difficulties in the integration and retention of customers or personnel and the integration and effective deployment of operations or technologies;
- assumption of unknown material liabilities or regulatory non-compliance issues;
- amortization of acquired assets, which would reduce future reported earnings;
- possible adverse short-term effects on our cash flows or operating results; and
- diversion of management's attention from the ongoing operations of our business.

Failure to manage these acquisition and expansion growth risks could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions. There can be no assurance that we will be able to consummate any acquisitions or expansions, successfully integrate acquired entities, or generate positive cash flow at any acquired company or expansion project.

***We are a holding company and depend upon our subsidiaries for our cash flow.***

We are a holding company. Our subsidiaries conduct all of our operations and own substantially all of our assets. Consequently, our cash flow and our ability to meet our obligations or to pay dividends or make other distributions in the future will depend upon the cash flow of our subsidiaries and the payment of funds by our subsidiaries to us in the form of dividends, tax sharing payments or otherwise. In addition, Coffeyville Resources, LLC, our indirect subsidiary, which is the primary obligor under our existing credit facility, is a holding company and its ability to meet its debt service obligations depends on the cash flow of its subsidiaries. The ability of our subsidiaries to make any payments to us will depend on their earnings, the terms of their indebtedness, including the terms of our credit facility, tax considerations and legal restrictions. In particular, our credit facility currently imposes significant limitations on the ability of our subsidiaries to make distributions to us and consequently our ability to pay dividends to our stockholders. Distributions that we receive from the Partnership will be primarily reinvested in our business rather than distributed to our stockholders. See also "— Risks Related to the Limited Partnership Structure Through Which We Hold Our Interest in the Nitrogen Fertilizer Business — The nitrogen fertilizer business may not have sufficient cash to enable it to make quarterly distributions to us following the payment of expenses and fees and the establishment of cash reserves" and "— Our rights to receive distributions from the Partnership may be limited over time".

***Our significant indebtedness may affect our ability to operate our business, and may have a material adverse effect on our financial condition and results of operations.***

As of June 30, 2008, we had total debt outstanding of $508.3 million, $37.4 million in funded letters of credit outstanding and borrowing availability of $91.1 million under our credit facility. We and our subsidiaries may be able to incur significant additional indebtedness in the future. If new indebtedness is added to our current indebtedness, the risks described below could increase. Our high level of indebtedness could have important consequences, such as:

- limiting our ability to obtain additional financing to fund our working capital, acquisitions, expenditures, debt service requirements or for other purposes;
- limiting our ability to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to service debt;
- limiting our ability to compete with other companies who are not as highly leveraged;
- placing restrictive financial and operating covenants in the agreements governing our and our subsidiaries' long-term indebtedness and bank loans, including, in the case of certain indebtedness of subsidiaries, certain covenants that restrict the ability of subsidiaries to pay dividends or make other distributions to us;
- exposing us to potential events of default (if not cured or waived) under financial and operating covenants contained in our or our subsidiaries' debt instruments that could have a material adverse effect on our business, financial condition and operating results;
- increasing our vulnerability to a downturn in general economic conditions or in pricing of our products; and
- limiting our ability to react to changing market conditions in our industry and in our customers' industries.

In addition, borrowings under our existing credit facility bear interest at variable rates. If market interest rates increase, such variable-rate debt will create higher debt service requirements, which could adversely affect our cash flow. Our interest expense for the year ended December 31, 2007 was $61.1 million. A 1% increase or decrease in the applicable interest rates under our credit facility, using average debt outstanding at June 30, 2008, would correspondingly change our interest expense by approximately $5.2 million per year.

If our credit ratings decline in the future, the interest rates we are charged on debt under our credit facility will increase by up to 0.75%.

In addition to our debt service obligations, our operations require substantial investments on a continuing basis. Our ability to make scheduled debt payments, to refinance our obligations with respect to our indebtedness and to fund capital and non-capital expenditures necessary to maintain the condition of our operating assets, properties and systems software, as well as to provide capacity for the growth of our business, depends on our financial and operating performance, which, in turn, is subject to prevailing economic conditions and financial, business, competitive, legal and other factors. In addition, we are and will be subject to covenants contained in agreements governing our present and future indebtedness. These covenants include and will likely include restrictions on certain payments, the granting of liens, the incurrence of additional indebtedness, dividend restrictions affecting subsidiaries, asset sales, transactions with affiliates and mergers and consolidations. Any failure to comply with these covenants could result in a default under our credit facility. Upon a default, unless waived, the lenders under our credit facility would have all remedies available to a secured lender, and could elect to terminate their commitments, cease making further loans, institute foreclosure proceedings against our or our subsidiaries' assets, and force us and our subsidiaries into bankruptcy or liquidation. In addition, any defaults under the credit facility or any other debt could trigger cross defaults under other or future credit agreements. Our operating results may not be sufficient to service our indebtedness or to fund our other expenditures and we may not be able to obtain financing to meet these requirements.

***If the managing general partner of the Partnership elects to pursue a public or private offering of Partnership interests, we will be required to use our commercially reasonable efforts to amend our credit facility to remove the Partnership as a guarantor. Any such amendment could result in increased fees to us or other onerous terms in our credit facility. In addition, we may not be able to obtain such an amendment on terms acceptable to us or at all.***

If the managing general partner of the Partnership elects to pursue a public or private offering of the Partnership, we will be required to obtain amendments to our credit facility, as well as to the Cash Flow Swap, in order to remove the Partnership and its subsidiaries as obligors under such instruments. Such amendments could be very expensive to obtain. Moreover, any such amendments could result in significant changes to our credit facility's pricing, mandatory repayment provisions, covenants and other terms and could result in increased interest costs and require payment by us of additional fees. We have agreed to use our commercially reasonable efforts to obtain such amendments if the managing general partner elects to cause the Partnership to pursue a public or private offering and gives us at least 90 days written notice. However, we may not be able to obtain any such amendment on terms acceptable to us or at all. If we are not able to amend our credit facility on terms satisfactory to us, we may need to refinance it with other facilities. We will not be considered to have used our "commercially reasonable efforts" to obtain such amendments if we do not effect the requested modifications due to (i) payment of fees to the lenders or the swap counterparty, (ii) the costs of this type of amendment, (iii) an increase in applicable margins or spreads or (iv) changes to the terms required by the lenders including covenants, events of default and repayment and prepayment provisions; provided that (i), (ii), (iii) and (iv) in the aggregate are not likely to have a material adverse effect on us.

***If we lose any of our key personnel, we may be unable to effectively manage our business or continue our growth.***

Our future performance depends to a significant degree upon the continued contributions of our senior management team and key technical personnel. The loss or unavailability to us of any member of our senior management team or a key technical employee could negatively affect our ability to operate our business and pursue our strategy. We face competition for these professionals from our competitors, our customers and other companies operating in our industry. To the extent that the services of members of our senior management team and key technical personnel would be unavailable to us for any reason, we would be required to hire other personnel to manage and operate our company and to develop our products and strategy. We may not be able to locate or employ such qualified personnel on acceptable terms or at all.

***A substantial portion of our workforce is unionized and we are subject to the risk of labor disputes and adverse employee relations, which may disrupt our business and increase our costs.***

As of June 30, 2008, approximately 40% of our employees, all of whom work in our petroleum business, were represented by labor unions under collective bargaining agreements expiring in 2009. We may not be able to renegotiate our collective bargaining agreements when they expire on satisfactory terms or at all. A failure to do so may increase our costs. In addition, our existing labor agreements may not prevent a strike or work stoppage at any of our facilities in the future, and any work stoppage could negatively affect our results of operations and financial condition.

***The requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.***

We are subject to the reporting requirements of the Securities Exchange Act of 1934 (the “Exchange Act”) and the corporate governance standards of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”). These requirements may place a strain on our management, systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. This may divert management’s attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and the price of our common stock.

In April 2008, we concluded that our consolidated financial statements for the year ended December 31, 2007 and the related quarter ended September 30, 2007 contained errors principally related to the calculation of the cost of crude oil purchased by us and associated financial transactions. As a result of these errors, management concluded that our internal controls were not adequate to determine the cost of crude oil at September 30, 2007 and December 31, 2007. Specifically, the Company’s policies and procedures for estimating the cost of crude oil and reconciling these estimates to vendor invoices were not effective. Additionally, the Company’s supervision and review of this estimation and reconciliation process was not operating at a level of detail adequate to identify the deficiencies in the process. Management concluded that these deficiencies were material weaknesses in our internal control over financial reporting. Due to these material weaknesses, our management also concluded that we did not maintain effective disclosure controls and procedures as of December 31, 2007.

In order to remediate the material weaknesses described above, our management is in the process of designing, implementing and enhancing controls to ensure the proper accounting for the calculation of the cost of crude oil. These remedial actions include, among other things, (1) centralizing all crude oil cost accounting functions, (2) adding additional layers of accounting review with respect to our crude oil cost accounting and (3) adding additional layers of business review with respect to the computation of our crude oil costs.

***We will be exposed to risks relating to evaluations of controls required by Section 404 of the Sarbanes-Oxley Act.***

We are in the process of evaluating our internal control systems to allow management to report on, and our independent auditors to audit, our internal control over financial reporting. We will be performing the system and process evaluation and testing (and any necessary remediation) required to comply with the management certification and auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, and will be required to comply with Section 404 in our annual report for the year ended December 31, 2008 (subject to any change in applicable SEC rules). Furthermore, upon completion of this process, we may identify control deficiencies of varying degrees of severity under applicable SEC and Public Company Accounting Oversight Board ("PCAOB") rules and regulations that remain unremediated. Although we produce our financial statements in accordance with GAAP, our internal accounting controls may not currently meet all standards applicable to companies with publicly traded securities. We will be required to report, among other things, control deficiencies that constitute a "material weakness" or changes in internal controls that, or that are reasonably likely to, materially affect internal control over financial reporting. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

If we fail to implement the requirements of Section 404 in a timely manner, we might be subject to sanctions or investigation by regulatory authorities such as the SEC or the PCAOB. If we do not implement improvements to our disclosure controls and procedures or to our internal control over financial reporting in a timely manner, our independent registered public accounting firm may not be able to certify as to the effectiveness of our internal control over financial reporting pursuant to an audit of our internal control over financial reporting. This may subject us to adverse regulatory consequences or a loss of confidence in the reliability of our financial statements. We could also suffer a loss of confidence in the reliability of our financial statements if our independent registered public accounting firm reports a material weakness in our internal controls, if we do not develop and maintain effective controls and procedures or if we are otherwise unable to deliver timely and reliable financial information. Any loss of confidence in the reliability of our financial statements or other negative reaction to our failure to develop timely or adequate disclosure controls and procedures or internal control over financial reporting could result in a decline in the price of our common stock. In addition, if we fail to remedy any material weakness, our financial statements may be inaccurate, we may face restricted access to the capital markets and the price of our common stock may be adversely affected.

***We are a "controlled company" within the meaning of the New York Stock Exchange rules and, as a result, qualify for, and are relying on, exemptions from certain corporate governance requirements.***

A company of which more than 50% of the voting power is held by an individual, a group or another company is a "controlled company" within the meaning of the New York Stock Exchange rules and may elect not to comply with certain corporate governance requirements of the New York Stock Exchange, including:

- the requirement that a majority of our board of directors consist of independent directors;
- the requirement that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

We are relying on all of these exemptions as a controlled company. Accordingly, our stockholders do not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the New York Stock Exchange.

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

The costs of complying with regulations relating to the transportation of hazardous chemicals and security associated with the refining and nitrogen fertilizer facilities may have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions. Targets such as refining and chemical manufacturing facilities may be at greater risk of future terrorist attacks than other targets in the United States. As a result, the petroleum and chemical industries have responded to the issues that arose due to the terrorist attacks on September 11, 2001 by starting new initiatives relating to the security of petroleum and chemical industry facilities and the transportation of hazardous chemicals in the United States. Future terrorist attacks could lead to even stronger, more costly initiatives. Simultaneously, local, state and federal governments have begun a regulatory process that could lead to new regulations impacting the security of refinery and chemical plant locations and the transportation of petroleum and hazardous chemicals. Our business or our customers' businesses could be materially adversely affected by the cost of complying with new regulations.

***We may face third-party claims of intellectual property infringement, which if successful could result in significant costs for our business.***

There are currently no claims pending against us relating to the infringement of any third-party intellectual property rights. However, in the future we may face claims of infringement that could interfere with our ability to use technology that is material to our business operations. Any litigation of this type, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources, either of which could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions. In the event a claim of infringement against us is successful, we may be required to pay royalties or license fees for past or continued use of the infringing technology, or we may be prohibited from using the infringing technology altogether. If we are prohibited from using any technology as a result of such a claim, we may not be able to obtain licenses to alternative technology adequate to substitute for the technology we can no longer use, or licenses for such alternative technology may only be available on terms that are not commercially reasonable or acceptable to us. In addition, any substitution of new technology for currently licensed technology may require us to make substantial changes to our manufacturing processes or equipment or to our products and could have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.

***If licensed technology is no longer available, the refinery and nitrogen fertilizer businesses may be adversely affected.***

We have licensed, and may in the future license, a combination of patent, trade secret and other intellectual property rights of third parties for use in our business. If any of these license agreements were to be terminated, licenses to alternative technology may not be available, or may only be available on terms that are not commercially reasonable or acceptable. In addition, any substitution of new technology for currently licensed technology may require substantial changes to manufacturing processes or equipment and may have a material adverse effect on our results of operations, financial condition and the ability of the nitrogen fertilizer business to make cash distributions.

**Risks Related to Our Common Stock**

***If our stock price fluctuates, investors could lose a significant part of their investment.***

The market price of our common stock may be influenced by many factors including:

- the failure of securities analysts to cover our common stock or changes in financial estimates by analysts;
- announcements by us or our competitors of significant contracts or acquisitions;
- variations in quarterly results of operations;
- loss of a large customer or supplier;
- general economic conditions;
- terrorist acts;
- future sales of our common stock; and
- investor perceptions of us and the industries in which our products are used.

As a result of these factors, investors in our common stock may not be able to resell their shares at or above the price at which they purchase our common stock. In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies like us. These broad market and industry factors may materially reduce the market price of our common stock regardless of our operating performance.

***The Goldman Sachs Funds and the Kelso Funds control us and may have conflicts of interest with other stockholders. Conflicts of interest may arise because our principal stockholders or their affiliates have continuing agreements and business relationships with us.***

As of the date of this Report, each of the Goldman Sachs Funds and the Kelso Funds controls 36.5% of our outstanding common stock (together, they control 73% of our outstanding common stock). Due to their equity ownership, the Goldman Sachs Funds and the Kelso Funds are able to control the election of our directors, determine our corporate and management policies and determine, without the consent of our other stockholders, the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including potential mergers or acquisitions, asset sales and other significant corporate transactions. The Goldman Sachs Funds and the Kelso Funds also have sufficient voting power to amend our organizational documents.

Conflicts of interest may arise between our principal stockholders and us. Affiliates of some of our principal stockholders engage in transactions with our company. We obtain the majority of our crude oil supply through a crude oil credit intermediation agreement with J. Aron, a subsidiary of The Goldman Sachs Group, Inc. and an affiliate of the Goldman Sachs Funds, and Coffeyville Resources, LLC currently has entered into commodity derivative contracts (swap agreements) with J. Aron for the period from July 1, 2005 to June 30, 2010. In addition, Goldman Sachs Credit Partners, L.P. is the joint lead arranger for our credit facility. Further, the Goldman Sachs Funds and the Kelso Funds are in the business of making investments in companies and may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us and they may either directly, or through affiliates, also maintain business relationships with companies that may directly compete with us. In general, the Goldman Sachs Funds and the Kelso Funds or their affiliates could pursue business interests or exercise their voting power as stockholders in ways that are detrimental to us, but beneficial to themselves or to other companies in which they invest or with whom they have a material relationship. Conflicts of interest could also arise with respect to business opportunities that could be advantageous to the Goldman Sachs Funds and the Kelso Funds and they may pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. Under the terms of our certificate of incorporation, the Goldman Sachs Funds and the Kelso Funds have no obligation to offer us corporate opportunities.

Other conflicts of interest may arise between our principal stockholders and us because the Goldman Sachs Funds and the Kelso Funds control the managing general partner of the Partnership which holds the nitrogen fertilizer business. The managing general partner manages the operations of the Partnership (subject to our rights to participate in the appointment, termination and compensation of the chief executive officer and chief financial officer of the managing general partner and our other specified joint management rights) and also holds IDRs which, over time, entitle the managing general partner to receive increasing percentages of the Partnership's quarterly distributions if the Partnership increases the amount of distributions. Although the managing general partner has a fiduciary duty to manage the Partnership in a manner beneficial to the Partnership and us (as a holder of special units in the Partnership), the fiduciary duty is limited by the terms of the partnership agreement and the directors and officers of the managing general partner also have a fiduciary duty to manage the managing general partner in a manner beneficial to the owners of the managing general partner. The interests of the owners of the managing general partner may differ significantly from, or conflict with, our interests and the interests of our stockholders.

Under the terms of the Partnership's partnership agreement, the Goldman Sachs Funds and the Kelso Funds have no obligation to offer the Partnership business opportunities. The Goldman Sachs Funds and the Kelso Funds may pursue acquisition opportunities for themselves that would be otherwise beneficial to the nitrogen fertilizer business and, as a result, these acquisition opportunities would not be available to the Partnership. The partnership agreement provides that the owners of its managing general partner, which include the Goldman Sachs Funds and the Kelso Funds, are permitted to engage in separate businesses that directly compete with the nitrogen fertilizer business and are not required to share or communicate or offer any potential business opportunities to the Partnership even if the opportunity is one that the Partnership might reasonably have pursued. The agreement provides that the owners of our managing general partner will not be liable to the Partnership or any unitholder for breach of any fiduciary or other duty by reason of the fact that such person pursued or acquired for itself any business opportunity.

As a result of these conflicts, the managing general partner of the Partnership may favor its own interests and/or the interests of its owners over our interests and the interests of our stockholders (and the interests of the Partnership). In particular, because the managing general partner owns the IDRs, it may be incentivized to maximize future cash flows by taking current actions which may be in its best interests over the long term. See "— Risks Related to the Limited Partnership Structure Through Which We Hold Our Interest in the Nitrogen Fertilizer Business — Our rights to receive distributions from the Partnership may be limited over time" and "— The managing general partner of the Partnership has a fiduciary duty to favor the interests of its owners, and these interests may differ from, or conflict with, our interests and the interests of our stockholders". In addition, if the value of the managing general partner interest were to increase over time, this increase in value and any realization of such value upon a sale of the managing general partner interest would benefit the owners of the managing general partner, which are the Goldman Sachs Funds, the Kelso Funds and our senior management, rather than our company and our stockholders. Such increase in value could be significant if the Partnership performs well.

Further, decisions made by the Goldman Sachs Funds and the Kelso Funds with respect to their shares of common stock could trigger cash payments to be made by us to certain members of our senior management under the Phantom Unit Plans. Phantom points granted under the Coffeyville Resources, LLC Phantom Unit Appreciation Plan (Plan I), or the Phantom Unit Plan I, and phantom points that we granted under the Coffeyville Resources, LLC Phantom Unit Appreciation Plan (Plan II), or the Phantom Unit Plan II, represent a contractual right to receive a cash payment when payment is made in respect of certain profits interests in Coffeyville Acquisition LLC and Coffeyville Acquisition II LLC. If either the Goldman Sachs Funds or the Kelso Funds sell any of the shares of common stock of CVR Energy which they beneficially own through Coffeyville Acquisition LLC or Coffeyville Acquisition II LLC, as applicable, they may then cause Coffeyville Acquisition LLC or Coffeyville Acquisition II LLC, as applicable, to make distributions to their members in respect of their profits interests. Because payments under the Phantom Unit Plans are triggered by payments in respect of profit interests under the Coffeyville Acquisition LLC Agreement and Coffeyville Acquisition II LLC Agreement, we would therefore be obligated to make cash payments under the Phantom Unit Plans. This could negatively affect our cash reserves, which could have a material adverse effect our results of operations, financial condition and cash flows. We estimate that any such cash payments should not exceed $41 million, assuming all of the shares of our common stock held by Coffeyville Acquisition LLC and Coffeyville Acquisition II LLC were sold at $16.04 per share, which was the closing price of our common stock on July 15, 2008.

In addition, one of the Goldman Sachs Funds and one of the Kelso Funds have each guaranteed 50% of our payment obligations under the Cash Flow Swap. We entered into a letter agreement with J. Aron on July 29, 2008 to defer to December 15, 2008 the payment of $87.5 million of the $123.7 million plus accrued interest ($6.7 million as of August 1, 2008) we owe. The remaining $36.2 million plus accrued interest will continue to be due on August 31, 2008 (or earlier at the company’s option). If we consummate the proposed offering of convertible notes before December 15, 2008, the $87.5 million deferral will automatically extend to July 31, 2009. The guarantee provided by one of the Goldman Sachs Funds and one of the Kelso Funds will remain in effect until the expiration of this new deferral. As a result of these guarantees, the Goldman Sachs Funds and the Kelso Funds may have interests that conflict with those of our other shareholders.

Since June 24, 2005, we have made two cash distributions to the Goldman Sachs Funds and the Kelso Funds. One distribution, in the aggregate amount of $244.7 million, was made in December 2006. In addition, in October 2007, we made a special dividend to the Goldman Sachs Funds and the Kelso Funds in an aggregate amount of approximately $10.3 million, which they contributed to Coffeyville Acquisition III LLC in connection with the purchase of the managing general partner of the Partnership from us.

As a result of these relationships, including their ownership of the managing general partner of the Partnership, the interests of the Goldman Sachs Funds and the Kelso Funds may not coincide with the interests of our company or other holders of our common stock. So long as the Goldman Sachs Funds and the Kelso Funds continue to control a significant amount of the outstanding shares of our common stock, the Goldman Sachs Funds and the Kelso Funds will continue to be able to strongly influence or effectively control our decisions, including potential mergers or acquisitions, asset sales and other significant corporate transactions. In addition, so long as the Goldman Sachs Funds and the Kelso Funds continue to control the managing general partner of the Partnership, they will be able to effectively control actions taken by the Partnership (subject to our specified joint management rights), which may not be in our interests or the interest of our stockholders.

**Risks Related to the Limited Partnership Structure Through Which
We Hold Our Interest in the Nitrogen Fertilizer Business**

***Because we neither serve as, nor control, the managing general partner of the Partnership, the managing general partner may operate the Partnership in a manner with which we disagree or which is not in our interest.***

CVR GP, LLC or Fertilizer GP, which is owned by our controlling stockholders and senior management, is the managing general partner of the Partnership which holds the nitrogen fertilizer business. The managing general partner is authorized to manage the operations of the nitrogen fertilizer business (subject to our specified joint management rights), and we do not control the managing general partner. Although our senior management also serves as the senior management of Fertilizer GP, in accordance with a services agreement among us, Fertilizer GP and the Partnership, our senior management operates the Partnership under the direction of the managing general partner's board of directors and Fertilizer GP has the right to select different management at any time (subject to our joint right in relation to the chief executive officer and chief financial officer of the managing general partner). Accordingly, the managing general partner may operate the Partnership in a manner with which we disagree or which is not in the interests of our company and our stockholders.

Our interest in the Partnership currently gives us defined rights to participate in the management and governance of the Partnership. These rights include the right to approve the appointment, termination of employment and compensation of the chief executive officer and chief financial officer of Fertilizer GP, not to be exercised unreasonably, and to approve specified major business transactions such as significant mergers and asset sales. We also have the right to appoint two directors to Fertilizer GP's board of directors. However, we will lose the rights listed above if we fail to hold at least 15% of the units in the Partnership.

***The amount of cash the nitrogen fertilizer business has available for distribution to us depends primarily on its cash flow and not solely on its profitability. If the nitrogen fertilizer business has insufficient cash to cover intended distribution payments, it would need to reduce or eliminate distributions to us or, to the extent permitted under agreements governing indebtedness that the nitrogen fertilizer business may incur in the future, fund a portion of its distributions with borrowings.***

The amount of cash the nitrogen fertilizer business has available for distribution depends primarily on its cash flow, including working capital borrowings, and not solely on profitability, which will be affected by non-cash items. As a result, the nitrogen fertilizer business may make cash distributions during periods when it records losses and may not make cash distributions during periods when it records net income.

If the nitrogen fertilizer business does not have sufficient cash to cover intended distribution payments, it would either reduce or eliminate distributions or, to the extent permitted to do so under any revolving line of credit or other debt facility that the nitrogen fertilizer business may enter into in the future, fund a portion of its distributions with borrowings. If the nitrogen fertilizer business were to use borrowings under a revolving line of credit or other debt facility to fund distributions, its indebtedness levels would increase and its ongoing debt service requirements would increase and therefore it would have less cash available for future distributions and other purposes, including the funding of its ongoing expenses. This could negatively impact the nitrogen fertilizer business' financial condition, results of operations, ability to pursue its business strategy and ability to make future distributions. We cannot assure you that borrowings would be available to the nitrogen fertilizer business under a revolving line of credit or other debt facility to fund distributions.

***The Partnership may elect not to or may be unable to consummate an initial public offering or one or more private placements. This could negatively impact the value and liquidity of our investment in the Partnership, which could impact the value of our common stock.***

The Partnership may elect not to or may be unable to consummate an initial public offering or an initial private offering. Any public or private offering of interests by the Partnership will be made at the discretion of the managing general partner of the Partnership and will be subject to market conditions and to achievement of a valuation which the Partnership finds acceptable. Although the Partnership filed a registration statement with the SEC in February 2008, the Partnership subsequently requested that the registration statement be withdrawn, and there can be no assurance that the Partnership will file a new registration statement with the SEC in the future. An initial public offering is subject to SEC review of a registration statement, compliance with applicable securities laws and the Partnership's ability to list Partnership units on a national securities exchange. Similarly, any private placement to a third party would depend on the Partnership's ability to reach agreement on price and enter into satisfactory documentation with a third party. Any such transaction would also require third party approvals, including consent of our lenders under our credit facility and the swap counterparty under our Cash Flow Swap, which would be very expensive. The Partnership may never consummate any of such transactions on terms favorable to us, or at all. If no offering by the Partnership is ever made, it could impact the value, and certainly the liquidity, of our investment in the Partnership.

If the Partnership does not consummate an initial public offering, the value of our investment in the Partnership could be negatively impacted because the Partnership would not be able to access public equity markets to fund capital projects and would not have a liquid currency with which to make acquisitions or consummate other potentially beneficial transactions. In addition, we would not have a liquid market in which to sell portions of our interest in the Partnership but rather would need to monetize our interest in a privately negotiated sale if we ever wished to create liquidity through a divestiture of our nitrogen fertilizer business. In addition, if the Partnership does not consummate an initial public offering by October 24, 2009, Fertilizer GP can require us to purchase its managing general partner in the Partnership. See "— If the Partnership does not consummate an initial offering by October 24, 2009, Fertilizer GP can require us to purchase its managing general partner interest in the Partnership. We may not have requisite funds to do so."

***We have agreed with the Partnership that we will not own or operate any fertilizer business in the United States or abroad (with limited exceptions).***

We have entered into an omnibus agreement with the Partnership in order to clarify and structure the division of corporate opportunities between the Partnership and us. Under this agreement, we have agreed not to engage in the production, transportation or distribution, on a wholesale basis, of fertilizers in the contiguous United States, subject to limited exceptions (fertilizer restricted business). The Partnership has agreed not to engage in the ownership or operation within the United States of any refinery with processing capacity greater than 20,000 bpd whose primary business is producing transportation fuels or the ownership or operation outside the United States of any refinery, regardless of its processing capacity or primary business (refinery restricted business).

With respect to any business opportunity other than those covered by a fertilizer restricted business or a refinery restricted business, we and the Partnership have agreed that the Partnership will have a preferential right to pursue such opportunities before we may pursue them. If the Partnership's managing general partner elects not to cause the Partnership to pursue the business opportunity, then we will be free to pursue such opportunity. This provision and the non-competition provisions described in the previous paragraph will continue so long as we and certain of our affiliates continue to own 50% or more of the outstanding units of the Partnership.

***Our rights to receive distributions from the Partnership may be limited over time.***

As a holder of 30,333,333 special units (which may convert into general partner and/or subordinated general partner units if the Partnership consummates an initial public or private offering, and which we may sell from time to time), we are entitled to receive a quarterly distribution of $0.4313 per unit (or $13.1 million per quarter in the aggregate, assuming we do not sell any of our units) from the Partnership to the extent the Partnership has sufficient available cash after establishment of cash reserves and payment of fees and expenses before any distributions are made in respect of the IDRs. The Partnership is required to distribute all of its cash on hand at the end of each quarter, less reserves established by the managing general partner in its discretion. In addition, the managing general partner, Fertilizer GP, will have no right to receive distributions in respect of its IDRs (i) until the Partnership has distributed all aggregate adjusted operating surplus generated by the Partnership during the period from October 24, 2007 through December 31, 2009 and (ii) for so long as the Partnership or its subsidiaries are guarantors under our credit facility.

However, distributions of amounts greater than the aggregate adjusted operating surplus generated through December 31, 2009 will be allocated between us and Fertilizer GP (and the holders of any other interests in the Partnership), and in the future the allocation will grant Fertilizer GP a greater percentage of the Partnership's cash distributions as more cash becomes available for distribution. After the Partnership has distributed all adjusted operating surplus generated by the Partnership during the period from October 24, 2007 through December 31, 2009, if quarterly distributions exceed the target of $0.4313 per unit, Fertilizer GP will be entitled to increasing percentages of the distributions, up to 48% of the distributions above the highest target level, in respect of its IDRs. Therefore, we will receive a smaller percentage of quarterly cash distributions from the Partnership if the Partnership increases its quarterly distributions above the target distribution levels. Because Fertilizer GP does not share in adjusted operating surplus generated prior to December 31, 2009, Fertilizer GP could be incentivized to cause the Partnership to make capital expenditures for maintenance prior to such date, which would reduce operating surplus, rather than for expansion, which would not, and, accordingly, affect the amount of operating surplus generated. Fertilizer GP could also be incentivized to cause the Partnership to make capital expenditures for maintenance prior to December 31, 2009 that it would otherwise make at a later date in order to reduce operating surplus generated prior to such date. In addition, Fertilizer GP's discretion in determining the level of cash reserves may materially adversely affect the Partnership's ability to make cash distributions to us.

Moreover, if the Partnership issues common units in a public or private offering, at least 40% (and potentially all) of our special units will become subordinated units. We will not be entitled to any distributions on our subordinated units until the common units issued in the public or private offering and our GP units have received the minimum quarterly distribution ("MQD") of $0.375 per unit (which may be reduced without our consent in connection with the public or private offering, or could be increased with our consent), plus any accrued and unpaid arrearages in the minimum quarterly distribution from prior quarters. The managing general partner, and not CVR Energy, has authority to decide whether or not to pursue such an offering. As a result, our right to distributions will diminish if the managing general partner decides to pursue such an offering.

***The managing general partner of the Partnership has a fiduciary duty to favor the interests of its owners, and these interests may differ from, or conflict with, our interests and the interests of our stockholders.***

The managing general partner of the Partnership, Fertilizer GP, is responsible for the management of the Partnership (subject to our specified management rights). Although Fertilizer GP has a fiduciary duty to manage the Partnership in a manner beneficial to the Partnership and holders of interests in the Partnership (including us, in our capacity as holder of special units), the fiduciary duty is specifically limited by the express terms of the partnership agreement and the directors and officers of Fertilizer GP also have a fiduciary duty to manage Fertilizer GP in a manner beneficial to the owners of Fertilizer GP. The interests of the owners of Fertilizer GP may differ from, or conflict with, our interests and the interests of our stockholders. In resolving these conflicts, Fertilizer GP may favor its own interests and/or the interests of its owners over our interests and the interests of our stockholders (and the interests of the Partnership). In addition, while our directors and officers have a fiduciary duty to make decisions in our interests and the interests of our stockholders, one of our wholly-owned subsidiaries is also a general partner of the Partnership and, therefore, in such capacity, has a fiduciary duty to exercise rights as general partner in a manner beneficial to the Partnership and its unitholders, subject to the limitations contained in the partnership agreement. As a result of these conflicts, our directors and officers may feel obligated to take actions that benefit the Partnership as opposed to us and our stockholders.

The potential conflicts of interest include, among others, the following:

- Fertilizer GP, as managing general partner of the Partnership, holds all of the IDRs in the Partnership. IDRs give Fertilizer GP a right to increasing percentages of the Partnership's quarterly distributions after the Partnership has distributed all adjusted operating surplus generated by the Partnership during the period from October 24, 2007 through December 31, 2009, assuming the Partnership and its subsidiaries are released from their guaranty of our credit facility and if the quarterly distributions exceed the target of $0.4313 per unit. Fertilizer GP may have an incentive to manage the Partnership in a manner which preserves or increases the possibility of these future cash flows rather than in a manner that preserves or increases current cash flows.

- Fertilizer GP may also have an incentive to engage in conduct with a high degree of risk in order to increase cash flows substantially and thereby increase the value of the IDRs instead of following a safer course of action.

- The owners of Fertilizer GP, who are also our controlling stockholders and senior management, are permitted to compete with us or the Partnership or to own businesses that compete with us or the Partnership. In addition, the owners of Fertilizer GP are not required to share business opportunities with us, and our owners are not required to share business opportunities with the Partnership or Fertilizer GP.

- Neither the partnership agreement nor any other agreement requires the owners of Fertilizer GP to pursue a business strategy that favors us or the Partnership. The owners of Fertilizer GP have fiduciary duties to make decisions in their own best interests, which may be contrary to our interests and the interests of the Partnership. In addition, Fertilizer GP is allowed to take into account the interests of parties other than us, such as its owners, or the Partnership in resolving conflicts of interest, which has the effect of limiting its fiduciary duty to us.

- Fertilizer GP has limited its liability and reduced its fiduciary duties under the partnership agreement and has also restricted the remedies available to the unitholders of the Partnership, including us, for actions that, without the limitations, might constitute breaches of fiduciary duty. As a result of our ownership interest in the Partnership, we may consent to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable state law.

- Fertilizer GP determines the amount and timing of asset purchases and sales, capital expenditures, borrowings, repayment of indebtedness, issuances of additional partnership interests and cash reserves maintained by the Partnership (subject to our specified joint management rights), each of which can affect the amount of cash that is available for distribution to us in our capacity as a holder of special units and the amount of cash paid to Fertilizer GP in respect of its IDRs.

- Fertilizer GP will also able to determine the amount and timing of any capital expenditures and whether a capital expenditure is for maintenance, which reduces operating surplus, or expansion, which does not. Such determinations can affect the amount of cash that is available for distribution and the manner in which the cash is distributed.
- In some instances Fertilizer GP may cause the Partnership to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make incentive distributions, which may not be in our interests.
- The partnership agreement permits the Partnership to classify up to $60 million as operating surplus, even if this cash is generated from asset sales, borrowings other than working capital borrowings or other sources the distribution of which would otherwise constitute capital surplus. This cash may be used to fund distributions in respect of the IDRs.
- The partnership agreement does not restrict Fertilizer GP from causing the nitrogen fertilizer business to pay it or its affiliates for any services rendered to the Partnership or entering into additional contractual arrangements with any of these entities on behalf of the Partnership.
- Fertilizer GP may exercise its rights to call and purchase all of the Partnership's equity securities of any class if at any time it and its affiliates (excluding us) own more than 80% of the outstanding securities of such class.
- Fertilizer GP controls the enforcement of obligations owed to the Partnership by it and its affiliates. In addition, Fertilizer GP decides whether to retain separate counsel or others to perform services for the Partnership.
- Fertilizer GP determines which costs incurred by it and its affiliates are reimbursable by the Partnership.
- The executive officers of Fertilizer GP, and the majority of the directors of Fertilizer GP, also serve as our directors and/or executive officers. The executive officers who work for both us and Fertilizer GP, including our chief executive officer, chief operating officer, chief financial officer and general counsel, divide their time between our business and the business of the Partnership. These executive officers will face conflicts of interest from time to time in making decisions which may benefit either us or the Partnership.

***The partnership agreement limits the fiduciary duties of the managing general partner and restricts the remedies available to us for actions taken by the managing general partner that might otherwise constitute breaches of fiduciary duty.***

The partnership agreement contains provisions that reduce the standards to which Fertilizer GP, as the managing general partner, would otherwise be held by state fiduciary duty law. For example:

- The partnership agreement permits Fertilizer GP to make a number of decisions in its individual capacity, as opposed to its capacity as managing general partner. This entitles Fertilizer GP to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us or our affiliates. Decisions made by Fertilizer GP in its individual capacity will be made by the sole member of Fertilizer GP, and not by the board of directors of Fertilizer GP. Examples include the exercise of its limited call right, its voting rights, its registration rights and its determination whether or not to consent to any merger or consolidation or amendment to the partnership agreement.
- The partnership agreement provides that Fertilizer GP will not have any liability to the Partnership or to us for decisions made in its capacity as managing general partner so

long as it acted in good faith, meaning it believed that the decisions were in the best interests of the Partnership.

- The partnership agreement provides that Fertilizer GP and its officers and directors will not be liable for monetary damages to the Partnership for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that Fertilizer GP or those persons acted in bad faith or engaged in fraud or willful misconduct, or in the case of a criminal matter, acted with knowledge that such person's conduct was criminal.

- The partnership agreement generally provides that affiliate transactions and resolutions of conflicts of interest not approved by the conflicts committee of the board of directors of Fertilizer GP and not involving a vote of unitholders must be on terms no less favorable to the Partnership than those generally provided to or available from unrelated third parties or be "fair and reasonable." In determining whether a transaction or resolution is "fair and reasonable," Fertilizer GP may consider the totality of the relationship between the parties involved, including other transactions that may be particularly advantageous or beneficial to the Partnership.

***The Partnership has a preferential right to pursue corporate opportunities before we can pursue them.***

We have entered into an agreement with the Partnership in order to clarify and structure the division of corporate opportunities between us and the Partnership. Under this agreement, we have agreed not to engage in the production, transportation or distribution, on a wholesale basis, of fertilizers in the contiguous United States, subject to limited exceptions (fertilizer restricted business). In addition, the Partnership has agreed not to engage in the ownership or operation within the United States of any refinery with processing capacity greater than 20,000 barrels per day whose primary business is producing transportation fuels or the ownership or operation outside the United States of any refinery (refinery restricted business).

With respect to any business opportunity other than those covered by a fertilizer restricted business or a refinery restricted business, we have agreed that the Partnership will have a preferential right to pursue such opportunities before we may pursue them. If the managing general partner of the Partnership elects not to pursue the business opportunity, then we will be free to pursue such opportunity. This provision will continue so long as we continue to own 50% of the outstanding units of the Partnership.

***If the Partnership elects to pursue and completes a public offering or private placement of limited partner interests, our voting power in the Partnership would be reduced and our rights to distributions from the Partnership could be materially adversely affected.***

Fertilizer GP may, in its sole discretion, elect to pursue one or more public or private offerings of limited partner interests in the Partnership. Fertilizer GP will have the sole authority to determine the timing, size (subject to our joint management rights for any initial offering in excess of $200 million, exclusive of the underwriters' option to purchase additional limited partner interests, if any), and underwriters or initial purchasers, if any, for such offerings, if any. Any public or private offering of limited partner interests could materially adversely affect us in several ways. For example, if such an offering occurs, our percentage interest in the Partnership would be diluted. Some of our voting rights in the Partnership could thus become less valuable, since we would not be able to take specified actions without support of other unitholders. For example, since the vote of 80% of unitholders is required to remove the managing general partner in specified circumstances, if the managing general partner sells more than 20% of the units to a third party we would not have the right, unilaterally, to remove the general partner under the specified circumstances.

In addition, if the Partnership completes an offering of limited partner interests, the distributions that we receive from the Partnership would decrease because the Partnership's distributions will have to be shared with the new limited partners, and the new limited partners' right to distributions will be superior to ours because at least 40% (and potentially all) of our units will become subordinated units. Pursuant to the terms of the partnership agreement, the new limited partners and Fertilizer GP will have superior priority to distributions in some circumstances. Subordinated units will not be entitled to receive distributions unless and until all common units and any other units senior to the subordinated units have received the minimum quarterly distribution, plus any accrued and unpaid arrearages in the MQD from prior quarters. In addition, upon a liquidation of the Partnership, common unitholders will have a preference over subordinated unitholders in certain circumstances.

***If the Partnership does not consummate an initial offering by October 24, 2009, Fertilizer GP can require us to purchase its managing general partner interest in the Partnership. We may not have requisite funds to do so.***

If the Partnership does not consummate an initial private or public offering by October 24, 2009, Fertilizer GP can require us to purchase the managing general partner interest. This put right expires on the earlier of (1) October 24, 2012 and (2) the closing of the Partnership's initial offering. The purchase price will be the fair market value of the managing general partner interest, as determined by an independent investment banking firm selected by us and Fertilizer GP. Fertilizer GP will determine in its discretion whether the Partnership will consummate an initial offering.

If Fertilizer GP elects to require us to purchase the managing general partner interest, we may not have available cash resources to pay the purchase price. In addition, any purchase of the managing general partner interest would divert our capital resources from other intended uses, including capital expenditures and growth capital. In addition, the instruments governing our indebtedness may limit our ability to acquire, or prohibit us from acquiring, the managing general partner interest.

***Fertilizer GP can require us to be a selling unit holder in the Partnership's initial offering at an undesirable time or price.***

If Fertilizer GP elects to cause the Partnership to undertake an initial private or public offering, we have agreed that Fertilizer GP may structure the initial offering to include (1) a secondary offering of interests by us or (2) a primary offering of interests by the Partnership, possibly together with an incurrence of indebtedness by the Partnership, where a use of proceeds is to redeem units from us (with a per-unit redemption price equal to the price at which a unit is purchased from the Partnership, net of sales commissions or underwriting discounts) (a "special GP offering"), provided that in either case the number of units associated with the special GP offering is reasonably expected by Fertilizer GP to generate no more than $100 million in net proceeds to us. If Fertilizer GP elects to cause the Partnership to undertake an initial private or public offering, it may require us to sell (including by redemption) a portion, which could be a substantial portion, of our special units in the Partnership at a time or price we would not otherwise have chosen. A sale of special units would result in our receiving cash proceeds for the value of such units, net of sales commissions and underwriting discounts. Any such sale or redemption would likely result in taxable gain to us. See "— Use of the limited partnership structure involves tax risks. For example, the Partnership's tax treatment depends on its status as a partnership for federal income tax purposes, as well as it not being subject to a material amount of entity-level taxation by individual states. If the IRS were to treat the Partnership as a corporation for federal income tax purposes or if the Partnership were to become subject to additional amounts of entity-level taxation for state tax purposes, then its cash available for distribution to us would be substantially reduced."

***Our rights to remove Fertilizer GP as managing general partner of the Partnership are extremely limited.***

Until October 24, 2012, Fertilizer GP may only be removed as managing general partner if at least 80% of the outstanding units of the Partnership vote for removal and there is a final, non-appealable judicial determination that Fertilizer GP, as an entity, has materially breached a material provision of the partnership agreement or is liable for actual fraud or willful misconduct in its capacity as a general partner of the Partnership. Consequently, we will be unable to remove Fertilizer GP unless a court has made a final, non-appealable judicial determination in those limited circumstances as described above. Additionally, if there are other holders of partnership interests in the Partnership, these holders may have to vote for removal of Fertilizer GP as well if we desire to remove Fertilizer GP but do not hold at least 80% of the outstanding units of the Partnership at that time.

After October 24, 2012, Fertilizer GP may be removed with or without cause by a vote of the holders of at least 80% of the outstanding units of the Partnership, including any units owned by Fertilizer GP and its affiliates, voting together as a single class. Therefore, we may need to gain the support of other unitholders in the Partnership if we desire to remove Fertilizer GP as managing general partner, if we do not hold at least 80% of the outstanding units of the Partnership.

If the managing general partner is removed without cause, it will have the right to convert its managing general partner interest, including the IDRs, into units or to receive cash based on the fair market value of the interest at the time. If the managing general partner is removed for cause, a successor managing general partner will have the option to purchase the managing general partner interest, including the IDRs, of the departing managing general partner for a cash payment equal to the fair market value of the managing general partner interest. Under all other circumstances, the departing managing general partner will have the option to require the successor managing general partner to purchase the managing general partner interest of the departing managing general partner for its fair market value.

In addition to removal, we have a right to purchase Fertilizer GP's general partner interest in the Partnership, and therefore remove Fertilizer GP as managing general partner, if the Partnership has not made an initial private offering or an initial public offering of limited partner interests by October 24, 2012.

***The nitrogen fertilizer business may not have sufficient cash to enable it to make quarterly distributions to us following the payment of expenses and fees and the establishment of cash reserves.***

The nitrogen fertilizer business may not have sufficient cash each quarter to enable it to pay the minimum quarterly distribution or any distributions to us. The amount of cash the nitrogen fertilizer business can distribute on its units principally depends on the amount of cash it generates from its operations, which is primarily dependent upon the nitrogen fertilizer business selling quantities of nitrogen fertilizer at margins that are high enough to cover its fixed and variable expenses. The nitrogen fertilizer business' costs, the prices it charges its customers, its level of production and, accordingly, the cash it generates from operations, will fluctuate from quarter to quarter based on, among other things, overall demand for its nitrogen fertilizer products, the level of foreign and domestic production of nitrogen fertilizer products by others, the extent of government regulation and overall economic and local market conditions. In addition:

- The managing general partner of the nitrogen fertilizer business has broad discretion to establish reserves for the prudent conduct of the nitrogen fertilizer business. The establishment of those reserves could result in a reduction of the nitrogen fertilizer business' distributions.
- The amount of distributions made by the nitrogen fertilizer business and the decision to make any distribution are determined by the managing general partner of the Partnership, whose interests may be different from ours. The managing general partner of the Partnership has limited fiduciary and contractual duties, which may permit it to favor its own interests to our detriment.
- Although the partnership agreement requires the nitrogen fertilizer business to distribute its available cash, the partnership agreement may be amended.
- Any credit facility that the nitrogen fertilizer business enters into may limit the distributions which the nitrogen fertilizer business can make. In addition, any credit facility may contain financial tests and covenants that the nitrogen fertilizer business must satisfy. Any failure to comply with these tests and covenants could result in the lenders prohibiting distributions by the nitrogen fertilizer business.
- The actual amount of cash available for distribution will depend on numerous factors, some of which are beyond the control of the nitrogen fertilizer business, including the level of capital expenditures made by the nitrogen fertilizer business, the nitrogen fertilizer business' debt service requirements, the cost of acquisitions, if any, fluctuations in its working capital needs, its ability to borrow funds and access capital markets, the amount of fees and expenses incurred by the nitrogen fertilizer business, and restrictions on distributions and on the ability of the nitrogen fertilizer business to make working capital and other borrowings for distributions contained in its credit agreements.

***If we were deemed an investment company under the Investment Company Act of 1940, applicable restrictions would make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business. We may in the future be required to sell some or all of our partnership interests in order to avoid being deemed an investment company, and such sales could result in gains taxable to the company.***

In order not to be regulated as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), unless we can qualify for an exemption, we must ensure that we are engaged primarily in a business other than investing, reinvesting, owning, holding or trading in securities (as defined in the 1940 Act) and that we do not own or acquire "investment securities" having a value exceeding 40% of the value of our total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We believe that we are not currently an investment company because our general partner interests in the Partnership should not be considered to be securities under the 1940 Act and, in any event, both our refinery business and the nitrogen fertilizer business are operated through majority-owned subsidiaries. In addition, even if our general partner interests in the Partnership were considered securities or investment securities, we believe that they do not currently have a value exceeding 40% of the fair market value of our total assets on an unconsolidated basis.

However, there is a risk that we could be deemed an investment company if the SEC or a court determines that our general partner interests in the Partnership are securities or investment securities under the 1940 Act and if our Partnership interests constituted more than 40% of the value of our total assets. Currently, our interests in the Partnership constitute less than 40% of our total assets on an unconsolidated basis, but they could constitute a higher percentage of the fair market value of our total assets in the future if the value of our Partnership interests increases, the value of our other assets decreases, or some combination thereof occurs.

We intend to conduct our operations so that we will not be deemed an investment company. However, if we were deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business and the price of our common stock. In order to avoid registration as an investment company under the 1940 Act, we may have to sell some or all of our interests in the Partnership at a time or price we would not otherwise have chosen. The gain on such sale would be taxable to us. We may also choose to seek to acquire additional assets that may not be deemed investment securities, although such assets may not be available at favorable prices. Under the 1940 Act, we may have only up to one year to take any such actions.

***Use of the limited partnership structure involves tax risks. For example, the Partnership's tax treatment depends on its status as a partnership for federal income tax purposes, as well as it not being subject to a material amount of entity-level taxation by individual states. If the IRS were to treat the Partnership as a corporation for federal income tax purposes or if the Partnership were to become subject to additional amounts of entity-level taxation for state tax purposes, then its cash available for distribution to us would be substantially reduced.***

The anticipated after-tax economic benefit of the Partnership's master limited partnership structure depends largely on its being treated as a partnership for U.S. federal income tax purposes. Despite the fact that the Partnership is organized as a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as the Partnership to be treated as a corporation for U.S. federal income tax purposes. If the Partnership proceeds with an initial public offering, current law would require the Partnership to derive at least 90% of its annual gross income for the taxable year of such offering, and in each taxable year thereafter, from specific activities to continue to be treated as a partnership for U.S. federal income tax purposes. The Partnership may find it impossible to meet this 90% qualifying income requirement or may inadvertently fail to meet such income requirement.

To consummate an initial public offering, the Partnership will obtain an opinion of legal counsel that, based upon, among other things, customary representations by the Partnership, the Partnership will continue to be treated as a partnership for U.S. federal income tax purposes following such initial public offering. However, the ability of the Partnership to obtain such an opinion will depend upon a number of factors, including the state of the law at the time the Partnership seeks such an opinion and the specific facts and circumstances of the Partnership at such time. Therefore, there is no assurance that the Partnership will be able to obtain such an opinion and, thus, no assurance that we will be able to realize the anticipated benefits of the Partnership being a master limited partnership.

If the Partnership consummates an offering and we sell units, or our units are redeemed, in a special GP offering, or the Partnership makes a distribution to us of proceeds of the offering or debt financing, such sale, redemption or distribution would likely result in taxable gain to us. We will also recognize taxable gain to the extent that otherwise nontaxable distributions exceed our tax basis in the Partnership. The tax associated with any such taxable gain could be significant.

If an initial public offering is consummated, a subsequent change in the Partnership's business could cause the Partnership to be treated as a corporation for federal income tax purposes or otherwise subject it to taxation as an entity. The Partnership is considering, and may consider in the future, expanding or entering into new activities or businesses. Gross income from any of these activities or businesses may not count toward satisfaction of the 90% qualifying income requirement for the Partnership to be treated as a partnership rather than as a corporation for U.S. federal income tax purposes.

If the Partnership were to be treated as a corporation for U.S. federal income tax purposes, it would pay U.S. federal income tax on its income at the corporate tax rate, which is currently a maximum of 35%, and would pay state income taxes at varying rates. Because such a tax would be imposed upon the Partnership as a corporation, the cash available for distribution by the Partnership to its partners, including us, would be substantially reduced. In addition, distributions by the Partnership to us would also be taxable to us (subject to the 70% or 80% dividends received deduction, as applicable, depending on the degree of ownership we have in the Partnership) and we would not be able to use our share of any tax losses of the Partnership to reduce taxes otherwise payable by us. Thus, treatment of the Partnership as a corporation could result in a material reduction in our anticipated cash flow and the after-tax return to us.

In addition, if an initial public offering is consummated, the law in effect at that time could change so as to cause the Partnership to be treated as a corporation for U.S. federal income tax purposes or otherwise subject it to entity-level taxation. For example, currently, at the federal level, legislation has been proposed that would eliminate partnership tax treatment for certain publicly traded partnerships.

Although such legislation as currently proposed would not apply to the Partnership, it could be amended prior to enactment in a manner that does apply to the Partnership. At the state level, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. Specifically, beginning in 2008, the Partnership is required to pay Texas franchise tax at a maximum effective rate of 0.7% of its gross income apportioned to Texas in the prior year. Imposition of this tax by Texas and, if applicable, by any other state will reduce the Partnership's cash available for distribution by the Partnership. We are unable to predict whether any of these changes or other proposals will ultimately be enacted. Any such changes could result in a material reduction in our anticipated cash flow and the after-tax return to us.

In addition, the sale of the managing general partner interest of the Partnership to an entity controlled by the Goldman Sachs Funds and the Kelso Funds was made at the fair market value of such general partner interest as of the date of transfer, as determined by our board of directors after consultation with management. Any gain on this sale by us is subject to tax. If the IRS or another taxing authority successfully asserted that the fair market value at the time of sale of the managing general partner interest exceeded the sale price, we would have additional deemed taxable income which could reduce our cash flow and adversely affect our financial results. For example, if the value of the managing general partner interest increases over time, possibly significantly because the Partnership performs well, then in hindsight the sale price might be challenged or viewed as insufficient by the IRS or another taxing authority.

Additionally, when the Partnership issues units to new unitholders or engages in certain other transactions, the Partnership will determine the fair market value of its assets and allocate any unrealized gain or loss attributable to those assets to the capital accounts of the existing partners. As a result of this revaluation and the Partnership's adoption of the remedial allocation method under Section 704(c) of the Internal Revenue Code (i) new unitholders will be allocated deductions as if the tax basis of the Partnership's property were equal to the fair market value thereof at the time of the offering, and (ii) we will be allocated "reverse Section 704(c) allocations" of income or loss over time consistent with our allocation of unrealized gain or loss.

***Fertilizer GP's interest in the Partnership and the control of Fertilizer GP may be transferred to a third party without our consent. The new owners of Fertilizer GP may have no interest in CVR Energy and may take actions that are not in our interest.***

Fertilizer GP is currently controlled by the Goldman Sachs Funds and the Kelso Funds. The Goldman Sachs Funds and the Kelso Funds collectively beneficially own approximately 73% of our common stock. Fertilizer GP may transfer its managing general partner interest in the Partnership to a third party in a merger or in a sale of all or substantially all of its assets without our consent. Furthermore, there is no restriction in the partnership agreement on the ability of the current owners of Fertilizer GP to transfer their equity interest in Fertilizer GP to a third party. The new equity owner of Fertilizer GP would then be in a position to replace the board of directors (other than the two directors appointed by us) and the officers of Fertilizer GP (subject to our joint rights in relation to the chief executive officer and chief financial officer) with its own choices and to influence the decisions taken by the board of directors and officers of Fertilizer GP. These new equity owners, directors and executive officers may take actions, subject to the specified joint management rights we have as a holder of special GP rights, which are not in our interests or the interests of our stockholders. In particular, the new owners may have no economic interest in us (unlike the current owners of Fertilizer GP), which may make it more likely that they would take actions to benefit Fertilizer GP and its managing general partner interest over us and our interests in the Partnership.